ANNUAL REPORT 2013

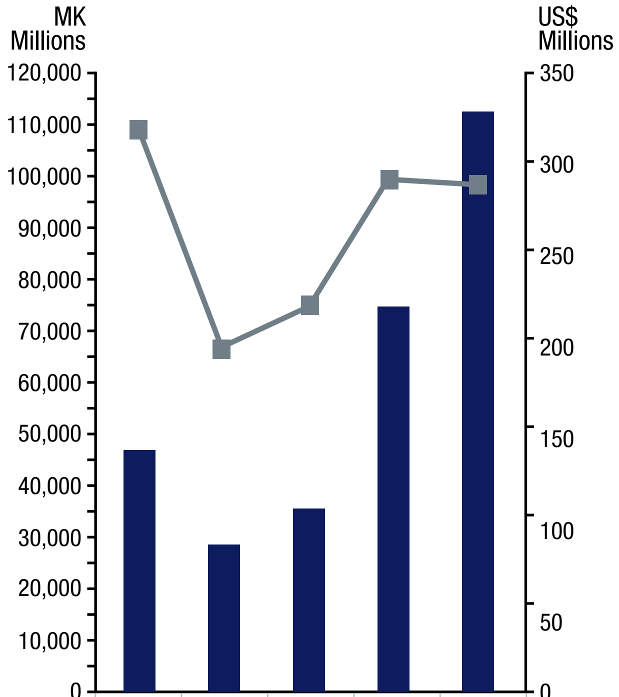
PRESS CORPORATION LTD

FINANCIAL HIGHLIGHTS

	Malawi Kwacha / millions			US Dollars / millions		
	2013	2012	Change %	2013	2012	Change %
Group Summary (in millions)						
Turnover	113,717	74,544	52.55	293	295	(0.45)
Attributable earnings	9,372	6,340	47.82	24	25	(3.53)
Shareholders' equity	57,090	41,977	36.00	132	123	7.41
Share performance						
Basic earnings per share	77.97	52.75	47.81	0.20	0.21	(3.54)
Cash retained from operations per share	404.69	141.85	185.30	0.93	0.41	125.33
Net asset value per share						
(shareholders' equity per share)	670	492	36.13	1.55	1.44	7.51
Dividend per share	5.50	5.16	6.57	0.01	0.02	(15.83)
Market price per share	285	188	51.60	0.66	0.55	19.73
Price earnings ratio	3.7	3.6	2.56	3.27	2.64	24.12
Number of shares in issue (in millions)	120.2	120.2	0.00			
Volume of shares traded (in thousands)	6,609	1,167	466.32			
Value of shares trades (in MK miilions)	1,688	213	692.49	4.36	0.84	417.17
Financial statistics						
After tax return on equity	16.66	22.66	(26.47)	0.04	0.07	(41.93)
Gearing	18%	22%	20.76			
Average monthly exchange rates				387.58	252.93	
Year end exchange rates				433.10	342.06	

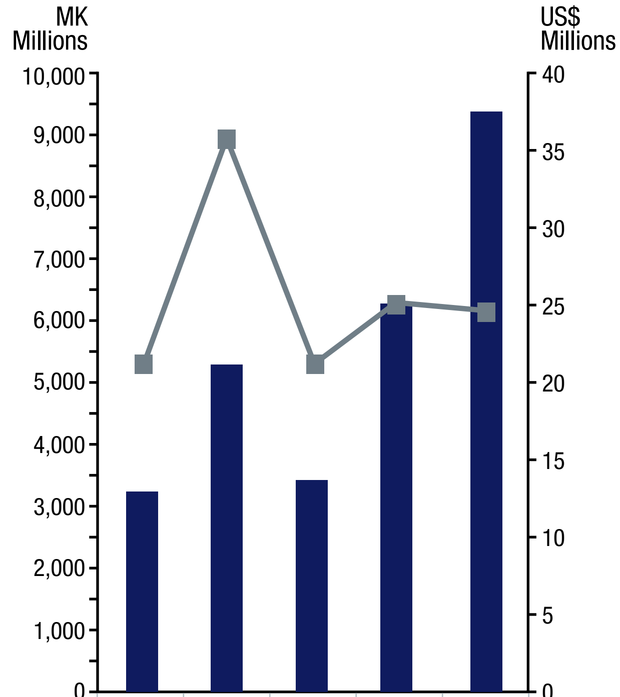
Exchange Rate (MK/US$)	2009	2010	2011	2012	2013
Average monthly exchange rates	145.99	149.12	157.30	252.93	387.58
Year end exchange rates	147.44	150.80	163.80	342.06	433.10

Turnover



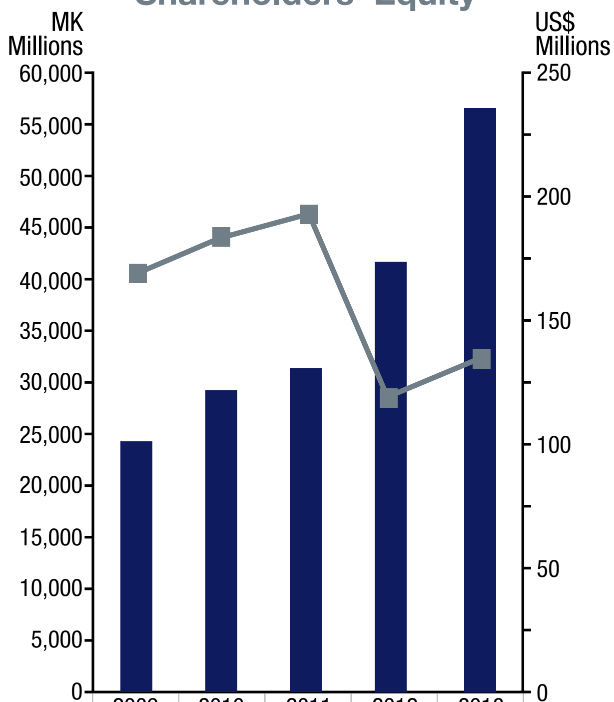
	2009	2010	2011	2012	2013
MK 'm	47,560	29,249	35,305	74,544	113,717
US$ 'm	326	196	224	295	293

Attributable Earnings



	2009	2010	2011	2012	2013
MK 'm	3,273	5,317	3,469	6,340	9,372
US$ 'm	22	36	22	25	24

Shareholders' Equity



	2009	2010	2011	2012	2013
MK 'm	24,611	28,033	31,532	41,977	57,090
US$ 'm	167	186	193	123	132

CORPORATE SOCIAL RESPONSIBILITY

MISSION STATEMENT

To be a leading Corporation acting ethically and responsibly in Malawi and the region generating real growth in shareholder value through diverse goods and services.

Press Corporation Limited is a member of the UN Global Compact Network and, by signing up, has endorsed the Global Compact Principles in terms of the Group's operations.

INTEGRITY

Press Corporation Limited is committed to a policy of fair dealing and integrity in the conduct of its businesses. The Corporation's commitment is based on the belief that business should be conducted honestly, fairly and legally. As such Press Corporation Limited expects all its employees to share its commitment to high moral, ethical and legal standards.

In an attempt to ensure consistently high standards in the manner in which its operations are managed, Press Corporation Limited embarked on a continuing programme to certify several employees as Ethics Officers. Two employees were certified by the Ethics Institute of South Africa. The Corporate Head Office, through a designated office, monitors ethical standards in its subsidiary and associate companies.

As a way of continuing with upholding high ethical standards in the way it conducts its business, Press Corporation Limited established a multi-departmental procurement committee and also introduced a procurement manual which is in line with procurement best practice. The aim is to conduct all procurement processes in a transparent, accountable, fair and competitive manner with impeccable standards. Our suppliers are bound by the rules of this manual which prevents them from being engaged in corrupt and fraudulent practises as well as collusion. The manual also acts as a guide to staff members to maintain the integrity of the Company by acting fairly when dealing with suppliers. As part of building the capacity of the Procurement Committee, a Procurement Officer was recruited during the year who reports directly to the Procurement Committee Chairman.

EMPLOYMENT EQUITY AND HIV/AIDS POLICY

Press Corporation Limited's employment policy is based on a system of opportunities for all. Employment equity seeks to identify, develop and reward each employee who demonstrates the qualities of individual initiative, enterprise, hard work and loyalty in their jobs

Employment is on the basis of merit rather than an individual's race, colour, creed, gender, or any other criterion unrelated to their capacity to do the job

Employees have the right to work in an environment which is free from any form of harassment or unlawful discrimination with respect to race, colour, creed, gender, place of origin, political persuasion, marital, family status or disability.

Furthermore, Press Corporation Limited and its subsidiary companies have an HIV/AIDS Policy whose core objective is to promote the Company's responsibility for providing a healthy and equitable work environment for all employees, including those with HIV/AIDS.

To this end, Press Corporation Limited has a fully equipped clinic to provide anti-retroviral therapy, free to employees of the Group and for a nominal fee to the general public. The members of staff at the clinic have been trained to provide the appropriate counselling to employees who are diagnosed with the HIV virus.

ENVIRONMENTAL MANAGEMENT

Press Corporation Limited and its subsidiaries are committed to developing operational policies to address the environmental impact of its business activities by integrating pollution control, waste management and rehabilitation activities into operating procedures.

Members of staff are still encouraged to "reduce, re-use and re-cycle" paper. All waste paper is shredded and donated to a local re-cycling organisation.

One of our associate companies namely Carlsberg Malawi, embraces pollution control and waste management by treating and returning waste water to the environment. The aim is to return 100% of the water used in its processes. The Company has constructed a waste water treatment plant in its new soft drink plant which treats all liquid waste to acceptable limits before being discharged back to the environment.

Carlsberg Malawi also has an ozone protection programme in place which ensures that the company does not use ozone depleting substances in its operations which include cooling systems, solvents and refrigeration gases. All ozone depleting gases e.g. R22, R12 have been replaced by other ozone friendly gases, e.g. 134a.

As a way of managing waste, both our ethanol producing subsidiaries namely Ethanol Company Limited (ETHCO) and PressCane Limited use ponds to withhold effluent from the ethanol production. This byproduct called vinnase is naturally evaporated and the remaining sludge is used as a fertiliser supplement because of its richness in potassium. Part of this supplement is taken back to the sugar making company (and applied in the sugarcane fields) whose byproduct is molasses which is the ethanol production raw material.

ETHCO has gone a step further in protecting the environment and maximises the use of steam from a renewable source (sugarcane bagasse steam from Dwangwa Sugar Corporation) as opposed to steam from coal which is a fossil fuel

Maldeco Fisheries embarked on an Integrated Aquaculture Agriculture (IAA) project. This came about due to the significant reduction in catches of chambo fish in Lake Malawi. The project involves breeding fish in upland one-hectare ponds and harvesting them as opposed to fishing in the lake. From time to time, the ponds are drained and fresh water brought in. This drained water is channelled to effluent ponds for irrigation purposes as recommended by the Environmental and Social Impact Assessment (ESIA) study conducted prior to the project.

During the year, Puma Energy adopted a strategy of installing only double-skinned tanks complete with leakage detectors at all the underground tank installation sites to prevent any product leaks into the ground. Furthermore, to check and control product leakages from the underground storage tanks at retail sites, Puma undertook tank integrity tests. The test results showed no leaks out of any tank.

Deforestation has continued to be catastrophic in Malawi, a country whose economy depends mainly on agriculture. Effects have been loss of soil fertility, changes in rainfall patterns and floods. As a way of giving back to the community, the Press Group has continued planting thousands of tree seedlings across the country through its subsidiary companies in an attempt to reverse deforestation.

COMMUNITY ENGAGEMENT

As a responsible corporate citizen, Press Corporation Limited and its subsidiaries aim to give back to the communities in which we operate.

ETHCO freely delivers dry sludge from the ethanol production process to local small scale farmers in neighbouring communities within a 20 km radius. This sludge is used as fertiliser supplement in their gardens hence reducing the communities’ fertiliser costs.

TNM partnered with YONECO, a non-governmental organisation whose aim is the elimination of child abuse, violence against children and exploitation of children in schools and communities in Malawi through the expansion of the Child Helpline Services in Malawi. TNM provides toll-free lines.

SOCIAL INVESTMENTS

Further to its commitment to the community, Press Corporation Limited and its subsidiary and associate companies make donations in cash and in kind to organisations involved in serving the less privileged members of the society. In the year 2013, donations were made towards education and health.

The Company continued to award a cash prize to the student who completes the final stage of the ACCA programme at the Malawi College of Accountancy with the highest marks in the Strategic Financial Management paper. Similarly, our subsidiary company National Bank of

Malawi sponsored the Best Student Awards at Mzuzu University as an incentive to the students to work hard.

National Bank and Puma Energy during the year engaged in projects of educating the nation. The bank sponsored needy students studying under CHAM colleges. Puma Energy and one of its strategic road transporters, through the NGO Hope for the Blind, sponsored blind students for their secondary school education in order to facilitate access to education by the students.

HEALTH FACILITIES

As part of its corporate social responsibility, and to assist the less privileged in the community, Press Corporation Limited, has not limited its provision of health services to the members of staff only, but has opened its clinic to the general public.

Maldeco Fisheries, a subsidiary of Press Corporation Limited did likewise and has a fully fledged clinic offering an array of services to the communities surrounding the company, who in the past had to travel long distances to access medical care.

Malawi is one of the countries with a high maternal mortality rate in the sub-Saharan Africa region. One of the Millennium Development goals is to reduce the maternal mortality rate by 75% by the year 2015. In order to complement government efforts. Press, Corporation Limited through its subsidiary and associate companies has been making donations towards maternal health.

Carlsberg Malawi, as a bottler for the Coca-Cola company continues to support the Ministry of Health through annual donations of medicines or medical equipment. During the year, Carlsberg Malawi embarked on ShareHope, a three year project that aims to deliver health intervention through the donation of medical equipment and pharmaceuticals to selected hospitals in Malawi. The project continues to build upon previous medical initiatives/programmes donated in partnership with MedShare, CitiHope International and the Coca-Cola Africa Foundation. The beneficiary hospitals in 2013 were Queen Elizabeth Central Hospital, Zomba Central Hospital and Ekwendeni Mission Hospital. The materials, valued at over $900,000, included consumables such as gloves and syringes as well as equipment including cardiac monitors, nebulisers; and furniture.

ANTI-CORRUPTION

Press Corporation Limited and its subsidiary companies continue to support the objectives of the Business Action Against Corruption (BAAC) one of which is to actively promote business commitment to fighting corruption and foster widespread support for the Business Code of Conduct and to pursue linkages with relevant national and regional business led anti-corruption initiatives.

As an extension of the Group’s fraud policy, Press Corporation Limited and its subsidiaries subscribe to Tip-Offs Anonymous, a whistle blowing hotline service provided by Deloitte. This can be used by those of the Group’s employees who may have reservations about using the internal reporting mechanism provided for in the fraud policy.

CHAIRMAN'S REPORT

THE GENERAL ECONOMY

2013 was somewhat of a recovery year for Malawi economy with a GDP growth of 5% from 1.9% in the previous year. The growth was facilitated by the recovery in aid due to the improved relations with donors, the expansion of agricultural subsidies, an increase in uranium production as well as improved investor sentiment. The increased availability of foreign exchange and fuel also contributed to economic growth.Tobacco production increased by 111% to 169 million kg in 2013 compared to 80 million kg in 2012. The 2012/2013 tobacco season realised total revenue of US$362 million compared to US$178 million in the same period the year before - despite the decrease in average prices. This brought a huge rise in the foreign exchange reserves, ending the shortage which had hit the country and maintaining import cover above two months. Total foreign exchange reserves closed at U$S406 million translating to an import cover of 2.12 months compared to 2.37 months in 2012.

2013 saw inflation rise to 35.8% in April and close at 23.5% in December 2013. The average headline inflation increased to 28.6% from 21.3% in 2012 due to the removal of fuel and electricity subsidies and the recurrent food shortages. Maize prices at MK114/kg in 2013 were 249% above the previous year.

During the year under review, the Reserve Bank of Malawi maintained the bank rate at 25% in order to sustain the tight monetary stance set until such a time when inflation is back to single digit figures. However, there was an increase in interest rates amongst commercial banks which was due to liquidity pressures and increase in Treasury bill yields.

EXCHANGE RATES AND MARKET DEVELOPMENTS

Following the adoption of the flexible exchange rate in 2012, the Malawi Kwacha continued to depreciate in the year 2013. The local currency recorded 22.2% depreciation against the United States dollar to MK433.14 from MK337 in 2012. The Kwacha also weakened by 21.45% against the British pound and 22.36% against the Euro to MK711.90 from MK541.93 and MK597.21 from MK463.67 respectively. The Kwacha on the other hand weakened by only 2.16% against the South African rand to MK42.94 from MK42.02. Excess demand for foreign currency continued to be a challenge due to over reliance on imports.

The Reserve Bank of Malawi increased the bank rate from 21% to 25% in December 2012 and commercial banks followed suit and increased the base lending rate from an average of 31.5% to 36% and later to an average of 41% in the first quarter of 2013. This was exacerbated by the continued liquidity squeeze and increasing inflation. In the last quarter however, the lending rates fell to an average of 35%, which eased private sector borrowing and hence increased production.

In the year under review, Treasury bill rates increased on all the tenors to an average of 42% in March 2013 following the increase in the lending rates. The 91-day tenor closed the year at 33.15% from 20.04% in 2012.

Puma opened a filling station at Mibawa on the Limbe Thyolo road and were joined in the enterprise by PTC with a new Peoples branch

The 182-day tenor increased to 32.69% from 24.41% and the 365 day tenor increased to 37.71% from 26.44%. There were MK235 billion applications during the year under review. The 365 day tenor was the most popular, with 40.24% of the applications, seconded by the 91 day tenor which had 29.78% of the applications and followed by the 182 day tenor with 29.56% of the applications. The total Treasury bill maturities stood at MK72.6 billion against a total allotted amount of MK129 billion resulting in a net withdrawal of MK56.4 billion.

STOCK MARKET DEVELOPMENT

The Malawi Stock Exchange was one of the biggest gainers in the region in 2013. The Malawi All Share Index (MASI) gained by 108.31% (97.26% in USD terms) to close at 12,531.04 points from 6,015.51 in 2012. The good performance of the local bourse in 2013 was due to the improved performance of companies on the stock exchange. The market transacted a total of 4,409,235,132 shares at a total consideration of MK13.3 billion in 1,261 trades which was far better than the previous year when a total of 667,221,045 shares were traded at a total consideration of MK3.9 billion in 1,041 trades.

The Domestic Share Index (DSI) gained by 108.45% to close at 9850.19 points in 2013 from a gain of 11.49% and a closing of 4725.51 in 2012. The Foreign Share Index (FSI) increased by 100% to close at 1709.34 points from 854.67 points in 2012.

GROUP PERFORMANCE

Following government's economic reforms that at least made foreign exchange and fuel available, the year 2013 proved to be a year of recovery notwithstanding the high interest rates and rampant inflation that prevailed during the period. The Group registered phenomenonal growth in its earnings with after-tax profit increasing by 83% over 2012. The performance was primarily driven by increased sales revenue coupled with strict cost control initiatives taken across the businesses.

Outstanding results were achieved in the financial services sector, the energy sector as well as the food and beverages business segment. In the financial services sector exceptional performance was anchored by growth in revenues in the treasury and money market operations; improved capacity utilisation of its clientele due to the availability of foreign currency and fuel; and the introduction of a number of card, deposit and loan products as well as the opening of a new service station.

In the energy sector, though Puma Energy sales volumes were below budget, the good performance resulted from improved profit margins and higher turnover compared to the previous year. The outstanding performance in the ethanol business was due to steady demand in fuel ethanol sales.

Notwithstanding product supply problems caused by production problems and affordability challenges, the food and beverages sector delivered impressive results because of the steady availability of foreign exchange and fuel which ensured that imported raw materials were available and distributed in timely manner.

DIVIDEND

An interim dividend for the year 2013 of MK240 million (2012: MK200 million) representing MK2.00 per share (2012: MK1.66 per share) was paid on 26 October 2013 and the directors have proposed a final dividend for the year 2013 of MK841.40 million (2012: MK420.7 million) representing MK7.00 per share (2012: MK3.50 per share). This brings the total dividend for 2013 to MK1,081.40 million representing MK9.00 per share (2012: MK5.16) A resolution to approve the final dividend will be tabled at the forthcoming Annual General Meeting.

PROSPECTS FOR 2014

The last quarter of 2013 was characterised by revelations of fraud, misappropriation and looting of government funds, the effects of which spilt to 2014 with development partners withholding donor aid. The macro-economic environment will inevitably be volatile especially as we approach the 20 May 2014 general elections which might undermine effective policy-making and weaken political stability. Similarly, the development partners are adopting a wait-and-see stance in terms of donor aid resumption.

However, building on the strong foundation laid in 2013, the Group is well positioned for growth and expansion in new and profitable business areas. While still exploring the opportunities to invest in energy generation, the focus will be to nurture and grow current businesses. The Group intends to invest in capacity expansion projects in the telecommunication business.

MANAGEMENT OF THE COMPANY

Mr Andrew Sesani who held the position of Group Executive (Special Assignments) retired from the Company on 31st December 2013 after having served the Company diligently for eleven years (nine years of these as Group Financial Controller). I thank him for his service to the Group and wish him happy retirement.

THE BOARD OF DIRECTORS

Dr Bernard Zingano was appointed to the Board on 21st May 2013 in accordance with the Company's Memorandum and Articles of Association. I welcome him and look forward to his contributions to the Board.

APPRECIATION

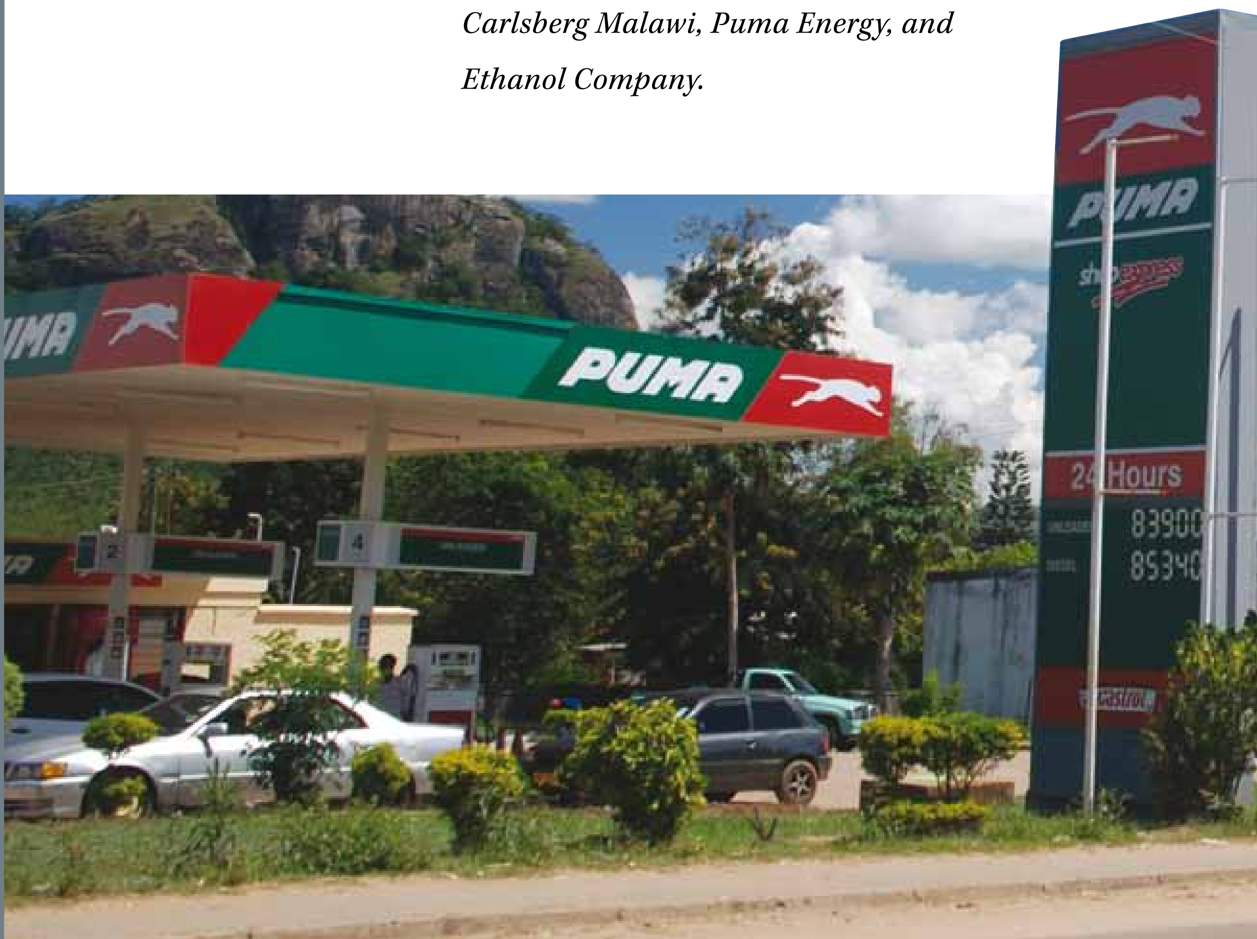
I thank my fellow Directors, Management and Staff for their unflinching support, cooperation and dedication during my first year to serve as the company's chairman. With their support, the company was able to face and overcome difficult challenges and to achieve impressive successes during the year as outlined in this Report. I look forward to another successful year in 2014.

CLEMENT S. CHILINGULO
CHAIRMAN

GROUP CHIEF EXECUTIVE'S REPORT

OVERVIEW

The Group continued with its strong performance and achieved a consolidated profit after tax of MK17.364 billion (2012: MK9.513 billion) for the year ended 31st December 2013. This represents an 83% growth on the previous year. Net profit attributable to ordinary shareholders was MK9.372 billion (2012: MK6.340 billion), representing a 48% increase on prior year. The performance was driven by increased capacity utilisation following improvements in the operating environment as evidenced by the availability of foreign currency and fuel, notwithstanding the high interest rates that prevailed during the period. Exceptional results were registered in National Bank, Carlsberg Malawi, Puma Energy, and Ethanol Company.



HIGHLIGHTS ON GROUP COMPANIES

PUMA ENERGY MALAWI

Sales volumes (m^3) for the full year were 20% below budget but 3% above prior year volumes. The under-performance was occasioned by reduced demand due to fuel price increases, occasioned by sharp depreciations of the Malawi Kwacha in line with the flexible exchange rate regime. However, turnover was 52% above the previous year due largely to the resultant pump price increases. Pre-tax profit for the year was 106% above prior year due to the significantly higher turnover and also better profit margins.

New sites were built and opened in Blantyre and Zalewa respectively, and Katoto Retail Station in Mzuzu was fully upgraded. Three new delivery trucks were acquired to further improve customer service delivery.

There is cautious optimism regarding the 2014 outlook because of the said reduced fuel demand which is expected to persist.

PEOPLE'S TRADING CENTRE LIMITED

Although market conditions improved compared to the previous year, there were still residual macro-economic problems, including the rising costs of doing business and high utility costs caused by the devaluation of the Malawi Kwacha as well as general tariff increases. In addition, there was a significant drop in Government spending.

Despite these setbacks, there were positive milestones, notably the completion of the store rebranding exercise, the opening of four new stores, an increased product range offering, and aggressive promotion to regain and increase market share.

Consequently, turnover grew by 59% over the previous year but pre-tax profit grew by only 18% - mainly on account of a 33% increase in overheads over prior year levels, due to the general rise in costs.

Outlook for 2014 is positive and focus will be on building on the good foundation set in 2013.

Puma and PTC dominate the main thoroughfare through Mwanza

Ethanol Company Limited returned an excellent year with production, sales, turnover and profits all well up on the previous year

ETHANOL COMPANY LIMITED

Production volumes were 10% above prior year due to higher quantities of molasses received. Turnover was 51% above the previous year not only because of the increase in molasses received, but also because fuel ethanol sales were buoyant throughout the year, on account of a stable flow of petrol imports. In addition, ENA (potable alcohol) sales were also robust due to steady demand.

Pre-tax profit was 78% above prior year due to the greater volumes produced and robust demand experienced. However, operating costs escalated owing to the sharp rise in inflation brought about by instability in overall macro-economic conditions

Outlook for 2014 remains promising overall, but ENA exports may be dampened by the recent imposition of very high import tax and excise duty by one main export destination in East Africa.

LIMBE LEAF TOBACCO COMPANY

The main focus in the 2013 season was on the consolidated implementation of the Integrated Production System (IPS), which had been introduced the year before. The general mindset in the market towards IPS was positive, but notable challenges included grower registration, grower associations, selling floor competition, rural market centres and levies.

Although the company did not buy the full volumes it needed, it still purchased the largest share (33%) of the burley crop (Malawi is one of the biggest global players in burley). A total of 169 million kg of all tobacco types was sold in the season. The set target for IPS sales was 80% of the total crop, but only 69% was achieved. This percentage should improve in subsequent years as the systemic learning-curve problems are resolved.

As in previous years, processing continued to be affected by downtime induced by electricity outages and water shortages.

Outlook for the 2014 growing season appears very promising generally due to good rainfall around the country.

NATIONAL BANK OF MALAWI

The Bank continued on its growth path, recording a 63% growth of after-tax profit compared to the performance of 2012. The operating environment of the banking sector was characterised by liquidity challenges especially in the first half of the year, as a direct result of the Reserve Bank of Malawi's continued tight monetary policy stance exercised through mopping-up operations and the maintenance of a high interest rate regime.

Following the improved capacity utilisation of its clientele due to improved availability of fuel, foreign exchange, and raw materials compared to 2012, the Bank registered satisfactory growth in almost all its business lines, liquidity challenges on the market notwithstanding. Deposits and the loan book exceeded expectations. Year on year deposits grew by 36% while loans remained constant in spite of repayment of a large portfolio of government guaranteed loans though issuance of Malawi Government promissory notes to the tune of nearly MK17 billion. Despite a high interest rate environment, the quality of its loan book (at below 3% non-performing ratio) was good in relation to the industry.

Revenue from treasury operations was one of the major sources of income for the Bank. Foreign exchange earnings exceeded expectations, partly attributed to increased turnover due to improved supply of foreign exchange on account of increased donor inflows compared to the previous year. This was complemented by the performance of the 2013 tobacco export market which was better when compared to 2012 both in terms of prices and volumes.

Notwithstanding a spell of liquidity challenges in the industry for a couple of months, which resulted in higher cost of funding, money markets income also surpassed expectations. Similarly the equities desk performed very well as the Malawi Stock Market recovered and experienced significant price gains on a number of counters.

The Bank introduced a number of card, deposit, and loan products and added one service centre to its network of points of representation.

Expectations are that the Bank will continue to do well in 2014.

In 2013 National Bank opened new service station in Mwanza, another in Mzimba in keeping with government policy to make banking more accessible to the more rural communities

MALAWI TELECOMMUNICATIONS LTD

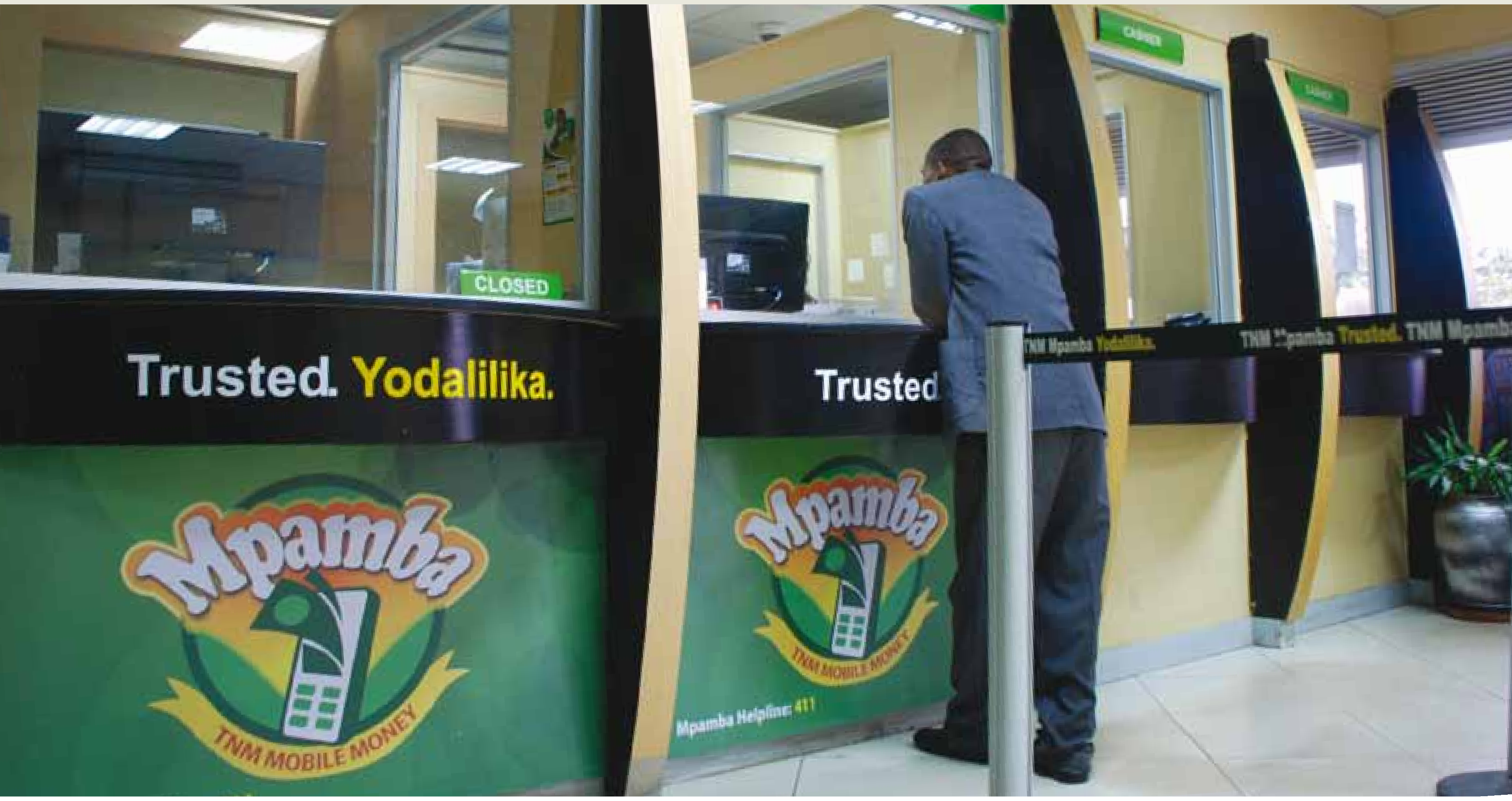
2013 was a mixed year for MTL. The company posted revenues of MK9.9 billion, up 14% on 2012 and EBITDA of MK1.0 billion, up 120% on 2012. This strong operating performance was negated by the impact of the continued devaluation of the Kwacha and high interest rates, resulting in a net loss for the year of MK3.6 billion. This result is a 46% improvement on the MK4.3 billion loss in 2012, but this is still below the turnaround targets set earlier in the restructuring programme following privatisation, and, as such, significant improvements are required. Accordingly, Management has put in place plans, initiatives and programmes to take MTL to where the company needs to be over the the next two years and beyond.

MTL continued to focus on data products and services, with Internet and Enterprise Connectivity revenues showing an 81% increase over 2012, and the total data revenues comprising 40% of total operating revenues in 2013 compared with 25% in 2012.

MTL lost 47% of its interconnection revenue compared to 2012 due to changes in the routing of traffic by the other Malawian operators, which had a knock-on effect on liquidity as the net in-payments are made in US Dollars.

MTL's trading position was adversely affected during the year by the national economic environment, with the devaluation of the Kwacha particularly affecting the company as all equipment is imported and the loans that MTL entered into to purchase the equipment are denominated in US Dollars.

The theft and sabotage of MTL's copper wires and optic fibre network continued, with a number of fibre cuts affecting MTL's



TNM successfully launched a mobile money service (Mpamba) in 2013

network performance and image. The required restoration of the network also incurred additional costs.

Operating cash-flow was positive in the year and the company was able to enter into arrangements to settle long overdue creditors.

The company continued to drive efficiency in its operations, with a net reduction in head count of 115 (15%) without affecting operations and enabling overheads to be restricted to a 10% increase over 2012, before provisions and write-offs.

In 2014 more emphasis will be placed on growing data revenue, as this segment clearly offers the best growth prospects into the future. Cost reduction and efficiency drives across all sections of the company will be maintained.

PRESS PROPERTIES LIMITED

Turnover for the year was 11% above the previous year mainly due to many uncompleted property sales on account of a change in the sales process. A new instalment payment plan was introduced for Chapima Estate in order to encourage rapid sales of the various plot categories. Under this arrangement, buyers are allowed to pay the full price over a period of eighteen (18) months. At the end of this period the sale is recognised. In addition, the sale of one large commercial property in Blantyre could not be completed before year end due to some technical problems.

During the year, the company commenced the construction of sixteen (16) up-market townhouses for rent in Area 9 in Lilongwe. Phase 1 of this project comprises 12 units and these units are expected to be completed by July 2014. The successful completion of these houses will significantly improve rental income.

Major challenges faced in the year included high cost of borrowing, which led to high finance charges on outstanding loans. The high borrowing costs also negatively affected property sales and property capital appreciation. Outlook for 2014 is cautious optimism, in view of the fact that the performance of the property market will depend on reduction in interest rates and improved disposable incomes.

PRESSCANE LIMITED

Sales volumes (litres) were 17% below prior year due to a large quantity of product carried over into 2012 which did not re-occur in 2013; loss of production for a full month due to maintenance work which had to be done after the off-season because spare parts arrived late and lower than anticipated molasses received during 2013.

However, turnover was 19% above prior year, occasioned by price increases following the devaluation of the Malawi Kwacha; but this increase was below average inflation for the year. Pre-tax profit was only 7% up due to increased direct and indirect overheads, this because of steep increases in utility tariffs and fuel costs. Coal supplies from local mines remain totally inadequate; consequently, a large quantity of coal had to be imported from Zimbabwe, which meant high transportation and production costs. Pre-tax profit was marginally (7%) above prior year on account of the lower volumes produced compared to last year.

Towards the end of the year, a sample consignment of molasses was imported from Mozambique to augment the shortfalls in feedstock supplies. It is expected more molasses will be imported from this source, subject to logistical conditions remaining good.

MACSTEEL MALAWI

Sales volumes (tonnes) were 85% above prior year owing to improvements in the macro-economy which ensured availability of foreign exchange throughout the year. This facilitated the importation of all key products which, in turn, led to the achievement of high sales volumes.

Accordingly, turnover was 89% above prior year and pre-tax profit was 108% up on the year before.

During the year, the company continued its product branding exercise. All products are now labelled with clear product specifications as a way of differentiating Macsteel quality products from others. New partnerships have been created with chain stores to distribute Macsteel products across the country, including some remote areas.

Strategies to increase sales volumes are in place and the company expects another successful performance in 2014 based on current trends and further expected overall improvements in the economy.

THE FOODS COMPANY

(Trading as Maldeco Fisheries and Maldeco Aquaculture)

In capture fisheries, variable and unsettled weather caused unpredictable fish movement and distribution in the lake, leading to low fish catches by all fishing trawlers. There were also two major trawler breakdowns, which resulted in two boats not fishing for two months.

The Carlsberg Group performed well in 2103. The availability of raw materials permitting the launch of several new products such as the popular light beer, Chill

THE CARLSBERG GROUP

Sales volumes in 2013 were 11% below prior year, soft drinks being the most affected. This was largely as a result of product supply shortages caused by production problems. There were also affordability challenges in some market segments due to price increases following the depreciation of the Malawi Kwacha. Production problems were caused by a combination of frequent machine breakdowns, multiple power outages and persistent water shortages. A number of initiatives are being implemented to ensure the least disruption to production.

On a positive note, the steady availability of foreign exchange ensured that critical raw materials could be imported timely. In addition, fuel was readily available and, consequently, there were no product distribution problems occasioned by lack of fuel.

In the last quarter, a new beer (Carlsberg Chill) was launched and proved a great success. Beer was also successfully bottled in Lilongwe for the first time; this provided breathing space to the Blantyre bottling line and enabled critical maintenance to be done in timely manner. Although sales volumes were below prior year, revenue and pre-tax profit were significantly above the previous year due to better profit margins and comparatively lower overheads. The outlook for 2014 remains positive if the macroeconomic conditions continue to stabilise and improve during the year.

In the aquaculture section, harvest volumes were also low partly because of water pumping faults which led to fish growth problems. These problems were rectified. However, another major impact in the year was from fish theft out of both breeding and rearing ponds. Consequently, much attention and many resources have gone into securing the pond farm.

In the feed mill, sales volumes (tons) grew by 15% over prior year. This was achieved despite the periodic shortages of key raw materials (maize and soya beans) due to cash flow and logistical problems. In addition, frequent power cuts disrupted production schedules.

These problems notwithstanding, turnover grew 41% above prior year due to better care for fish to prevent spoilage and wastage, value addition through processing and packaging, and increased external sales of feed (to customers from the general public). However a loss nearly three times that of the previous year was incurred mainly on account of high finance charges (122% above prior year), high overheads largely due to unplanned security expenses and the loss of potential revenue due to the theft of fish. In 2014 attention will continue to be placed on security of fish stocks, improving cash flows and cost reduction.

TNM LIMITED

Turnover grew 60% above prior year on account of a 12% growth in the subscriber base (2.1 million subscribers at year-end) and various actions to improve revenue in all categories, but also good management of all expenditure areas, especially operational expenditures. The major improvement in network quality supported this significant growth in revenue. Capital expenditure amounting to just over MK3 billion was spent on capacity upgrades of the core network and on the first phase of a RAN (Radio Access Network) renewal project. The RAN renewal project will be implemented over three years, the objective of which is to replace the old legacy equipment with the latest technology, which will result in significantly higher network capacity and lower energy use. The ultimate aim is to achieve long-term reliability of the TNM network and to support the sustainability of the high levels of revenue growth.

A mobile money service (TNM Mpamba) was successfully launched during the year and following an aggressive campaign, the subscriber base grew to 157,000 at the end of the year.

Pre-tax profit grew by 263% above the previous year on account of the significant revenue growth and efficiency gains. In 2014 TNM is to focus on the implementation of the new expansion plans, including the expansion of the 3G network, improving data quality, and continuing to Phase Two of the RAN renewal project.

TNM has applied for the renewal of its operating license (the current one expires in August 2014) and the expectation is that the process will be concluded during the second half of 2014.

STAFF WELFARE AND DEVELOPMENT

Press Corporation Limited continues to play its part in the fight against HIV/AIDS in the workplace with all related awareness activities being conducted during working hours. The company still sits on the board of the Malawi Business Coalition Against HIV/AIDS (MBCA) and is an active member of this private sector initiative. HIV/AIDS awareness events continued to be held during the year. On World AIDS Day, the Group commemorated the day by holding an event for employees and their spouses, where experts from the Employers' Consultative Association of Malawi (ECAMA), MBCA, and other organisations and individuals made speeches and presentations in line with the 2011 theme "Getting to Zero."

Through the MBCA, the company trained nine employees as peer educators during the year.

Furthermore, Press Corporation Limited also embarked on Employee Wellness Programmes where the focus was on the total well-being of the employee. The company realises that there are other lifestyle diseases which are equally dangerous but can be avoided or controlled with lifestyle behavioural change.

Training and development of staff continues to play an important role in the company's overall strategic plan in order to allow for the efficient delivery of services and also provide for

DIRECTORS AND MANAGEMENT

DIRECTORS

Mr C S Chilingulo	Chairman
Mr S A Itaye	Audit Committee Chairman
Mr C A Kapanga	Risk Committee Chairman
Mr A G Barron	Appointments and Remuneration Committee Member Audit Committee Member
Mrs M S Kachingwe	Appointments and Remuneration Committee Chairperson Risk Committee Member
Dr B Zingano	Appointments and Remuneration Committee Member Risk Committee Member
Dr M A P Chikaonda	Group Chief Executive
Mr P P Mulipa	Group Operations Executive

MANAGEMENT

Dr M A P Chikaonda	Group Chief Executive
Mr P P Mulipa	Group Operations Executive
Mr A G Sesani	Group Executive, Special Assignments (Until 31/12/2013)
Mrs E Mafeni	Group Financial Controller
Mr C J Evans	Group Administration Manager
Mr B M W Ndau	Company Secretary/ Compliance Officer

effective succession planning. Training in management and leadership is encouraged at senior and middle management levels. In the year just ended, seventeen senior- and mid-level employees drawn from Group companies underwent and completed a seven-month in-house Leadership Development Programme. Other employees continue to be sponsored on courses relevant to their individual developmental needs in areas such as accounting, marketing and human resources.

We continue to seek and recruit qualified and young graduates into the Press Group “Management Trainee” Programme which has been running for the past nine years. Upon completion of their training, the trainees are placed in various companies within the Group to ensure that the Group has a reservoir of future managers and leaders.

STRATEGIC DIRECTION

Press Corporation Limited is keen to maintain its leadership role in the private sector by focusing on and nurturing profitable operations to ensure that they grow market share and maintain dominance in their respective sectors.

Expand Opportunities

Viable investment opportunities will continue to be explored in various sectors to strengthen the Group's portfolio of investments and enhance its income stream. In the short-term potential opportunities are in the energy sector, specifically generation of electricity through solar and hydropower. In the medium to long term, the company intends to venture into mining and tourism.

Improve Productivity

We will continue to invest in Research and Development in our businesses in order to identify modern technologies that will improve production efficiencies. Our strong capabilities across the Group will be exploited by sharing skills and ideas, building procurement and information technology synergies and leveraging on group policy administration - to improve efficiencies and effectiveness in costs across the Group.

Invest In People

Our major success factor lies in our people. We will continue to motivate, inspire and build capacity in our people by investing in leadership and management training programs aimed at creating a pool of talented and skilled leaders across the Group; as well as rewarding excellence and offering opportunities for career progression within the Group.

The Group's policies will continue to be to:-

- Hold a minimum 50% equity in investments so as to influence key decisions and overall strategy
- Ensure that Group's debt equity ratio remains consistent with the Company's risk policy
- Pay such dividends as take into account cash flows vis-à-vis potentially profitable investment opportunities for growth and sustainability
- Operate with reputable joint venture partners to take advantage of their management and technical expertise
- Maintain strict performance criteria for investments and divest underperforming assets in a timely manner
- Conduct business in an environmentally responsible manner and work with various stakeholders, e.g. Government and Donors in promoting sustainable development.
- Build a successful team with a culture of excellence by investing in leadership training for our people.
- Invest in people through training in leadership in order to promote a culture of excellence, team work and innovation
- Ensure diversity by employing more women in decision making positions.

In conclusion, I wish to sincerely thank Staff, Management and the Board of Directors of Press Corporation Limited and all the Group companies, subsidiaries and associates for their untiring support during the year. We look forward to the future with great expectations of taking the Group to greater heights.

Dr M A P Chikaonda
Group Chief Executive

CORPORATE GOVERNANCE

BOARD OF DIRECTORS

The Board of Directors is responsible to the shareholders for setting the direction of the Group through the establishment of strategic objectives and key policies. The Board meets quarterly, settles the strategic mission and is responsible for the overall direction and control of the Group.

At 31 December 2013 the Board consisted of six non-executive directors and two executive directors. The Chairman is a non-executive director and has a casting vote.

Press Trust and Old Mutual appoint five of the non-executive directors. These appointments are in accordance with the Company's Articles of Association. At 31 December 2013 Press Trust and Old Mutual owned 44.47% and 12.71% respectively of the shares in the Company.

Executive Directors are appointed by the whole Board from the members of executive management.

The corporate board is responsible to shareholders, but it proceeds mindful of the interests of the Group's staff, customers, suppliers and the communities in which the Group pursues its interests.

The names of the executive and non-executive directors in office at 31 December 2013 and at the date of this report are set out on page 22.

PRINCIPAL BOARD COMMITTEES ARE:

Audit Committee

The committee currently comprises two non-executive directors and one non-board member and meets no less than twice in the year. The Group Chief Executive, the Group Financial Controller, and the Group Internal Audit Manager attend the meetings by invitation. The external auditors have access to this committee. It is currently chaired by Mr S A Itaye. In the year ended 31 December 2013 the committee met three times; in March, August and November.

The committee's principal functions are to review the annual and interim financial statements and accounting policies, the effectiveness of internal controls over management information and other systems of internal control, the preliminary reported financial information, and to discuss the auditors' findings and recommendations. The external auditors are appointed each year based on recommendations of the committee, which is also responsible for fixing their remuneration. In addition, it reviews the corporation's procedures and policies.

Appointments and Remuneration Committee

The committee comprises three non-executive directors. It is currently chaired by Ms M S Kachingwe.

The principal function of the Committee is to ensure that the Group's human resources are best utilised and that members of staff are remunerated commensurate with their responsibilities and effectiveness, by reviewing salary trends in the market place and approving salaries at the executive directors' and executive management level based on these findings.

During the year under review the Committee met three times; in March, May and November.

Risk Committee

Following Board approval and as part of the Group's overall risk strategy, a new committee of the Board was set up during the year with the principal objective of ensuring that there are policies and strategies in place to manage all risks relating to all operations of Press Corporation Limited and companies within the Group and that executive management has adequate skills and knowledge and is competent to manage the identified and perceived risks.

The Committee comprises of three non-executive directors. Members of executive management also attend the committee's meetings. The Group Risk Manager attends on invitation. Mr C Kapanga currently chairs the Committee.

Internal control and risk management

The Board of Directors is responsible for the Group's systems of internal controls. To fulfil its responsibilities, management maintains accounting records and has developed and continues to maintain appropriate systems of internal control. The directors report that the Group's internal controls and systems of internal controls are designed to provide reasonable but not absolute assurance, as to the integrity and reliability of financial statements and to safeguard, verify and maintain accountability of its assets and to detect and minimise fraud, potential liability, loss and material misstatement while complying with applicable laws and regulations.

The systems of internal control are based on established organisational structures implemented by the Executive Management together with written policies and procedures, including budgeting and forecasting disciplines and the comparison of actual results against the said budgets and forecasts. The directors have satisfied themselves that these systems and procedures are implemented, maintained and monitored by appropriately trained personnel with proper segregation of authority, duties and reporting lines, and by comprehensive use of advanced computer hardware and software technologies. Employees are required to maintain the highest ethical standards in ensuring that business practices are conducted in a manner which in all reasonable circumstances is above reproach. The effectiveness of the systems of internal control in operation is monitored continually through reviews and reports from the head of the group internal audit department.

In addition, the Group's external auditors review and test appropriate aspects of internal financial control systems during the course of their normal statutory audits of financial statements of the company and subsidiaries.

A formal "Limits of Authority" is in place that specifically reserves certain matters for Board decision.

Trading in the Company's securities on the Malawi Stock Exchange continues to be governed by a Share Trading Policy, an internal control mechanism to guard against insider trading by all employees including managers and directors.

Directors' interests in contracts

No director has had any material interest directly or indirectly in any contract reviewed or approved by the Board in the year under review.All Directors are required to complete a Declaration of Interest Form which is updated annually.

CODE OF ETHICS

Press Corporation Limited and its subsidiaries are committed to a policy of fair dealing and integrity in the conduct of their businesses. This commitment is based on the fundamental belief that business should be conducted honestly, fairly and legally. The Board formally adopted a comprehensive code of ethics that is applied throughout the Group in the conduct of its affairs. This code provides a detailed guideline governing the all-important relationships between the various stakeholders and the communities in which the Group operates.

DIVERSITY

Press Corporation Limited continues with a gradual implementation of its policy on Gender Diversity which is modelled on the 30% Club. Currently female representation is at 17% on the Press Corporation Board level and 25% at Group level. The aspiration of the Group is to appoint more women to executive and non-executive directorships on the boards of Press Corporation Limited and its subsidiary companies. Furthermore, the Group is keen to improve the pipeline below board level, to widen the talent pool available to its businesses. The Group shall strive to support and encourage successful women in the work space

FIVE YEAR GROUP FINANCIAL REVIEW

for the year ended 31 December 2013

In millions of Malawi Kwacha

	2013 Mkm	2012 MKm Restated	2011 MKm Restated	2010 MKm	2009 MKm
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME					
Turnover	113,717	74,544	35,305	29,249	47,560
Profit before income tax	20,509	9,830	6,160	8,281	7,953
Share of profit of equity-accounted investees net of income income tax	5,915	3,421	2,439	2,054	658
Profit before income tax	26,424	13,251	8,599	10,335	8,611
Income tax expense	(9,060)	(3,738)	(2,471)	(2,592)	(2,941)
Profit after income tax	17,364	9,513	6,128	7,743	5,670
Attributable to non-controlling interests	(7,992)	(3,173)	(2,659)	(2,426)	(2,397)
Attributable to equity holders of the company	9,372	6,340	3,469	5,317	3,273
Dividend paid to ordinary shareholders	(661)	(560)	(560)	(560)	(295)
Retained profit	8,711	5,780	2,909	4,757	2,978
Basic earnings per share (MK)	77.97	52.75	28.86	44.23	27.23
Dividend per share (MK)	5.50	5.16	4.66	4.66	2.45
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION					
Property, plant and equipment	68,206	63,774	48,450	47,971	39,520
Investment properties	3,096	3,591	2,869	2,667	2,782
Investment in equity accounted investees	13,922	8,914	7,462	5,474	1,989
Other non-current assets	33,119	32,387	17,779	17,702	16,923
Net current liabilities	(16,625)	(29,604)	(19,741)	(19,144)	(11,439)
Total employment of capital	101,718	79,062	56,819	54,670	49,775
Ordinary shareholders' funds	57,090	41,977	31,532	28,033	24,611
Non-controlling interest	23,394	17,148	16,384	14,877	13,795
Loans and borrowings	17,306	17,001	6,828	4,543	5,675
Provisions	-	88	913	2,364	2,217
Deferred tax liabilities	3,461	2,848	3,878	4,853	3,477
Total capital employed	101,251	79,062	59,535	54,670	49,775
CONSOLIDATED STATEMENTS OF CASH FLOWS					
OPERATING ACTIVITIES					
Cash generated from operations	60,616	27,903	18,174	14,051	18,066
Interest and tax paid	(11,972)	(10,853)	(4,509)	(5,625)	(4,217)
Cashflows from operating activities	48,644	17,050	13,665	8,426	13,849
INVESTING ACTIVITIES					
Interest/Dividend received	8,923	1,744	186	240	166
Capital expenditure	(12,290)	(17,554)	(9,016)	(15,093)	(11,576)
Acquisition /(Disposal)of subsidiaries net of cash	-	892	-	-	-
(Acquisition)/disposal of other investments	(18,230)	4,048	(2,972)	6,342	1,693
Proceeds from sale of property, plant and equipment and investment properties	874	923	759	377	169
Cashflows (used in) investing activities	(20,723)	(9,947)	(11,043)	(8,134)	(9,548)
FINANCING ACTIVITIES					
Proceeds from issue of shares	-	-	-	-	-
Dividends paid to non-controlling shareholders	(3,242)	(1,615)	(1,012)	(1,531)	(1,750)
Dividends paid to shareholders of the company	(661)	(560)	(560)	(560)	(295)
Increase/(decrease) in borrowings	(582)	9,516	3,184	(905)	536
Cashflows from/(used in) financing activities	(4,485)	7,341	1,612	(2,996)	(1,509)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	23,436	14,444	4,234	(2,704)	2,792

PROFILES OF DIRECTORS

CLEMENT S CHILINGULO
LL. B., FCIS Chairman

**Age 60,
appointed to the Board
7 February 2001**

Mr Chilingulo has served in legal and company secretarial positions of several companies starting with Press (Holdings) Limited where he rose to the position of Deputy Group Company Secretary and INDEBANK and Standard Bank where he served as Legal Counsel/Company Secretary. Currently, he is Executive Secretary of Press Trust, a public trust which has extensive investments in all sectors of the Malawi economy. By virtue of his position with Press Trust, Mr Chilingulo sits on the Boards of several companies in which the Trust has invested.

CHRIS A. KAPANGA
Dip Bus Mgt., ACII, MBA, Chartered Insurer

**Age 54,
appointed to the Board
26 August 2012**

Mr Kapanga is a chartered Insurer with over thirty years international experience in the insurance industry. He has held senior positions in various insurance companies in Malawi and South Africa. He is currently Group Chief Executive Officer of Old Mutual (Malawi) Ltd. He is also a director on a number of boards as a representative of Old Mutual.

SIMON A ITAYE
B.Com., FCCA, MBA

**Age 56,
appointed to the Board
5 March 1998**

Mr Itaye has extensive experience in audit, financial and strategic general management and is currently the Managing Director of Nampak Malawi Limited.
He is non-executive Chairman in Marsh Limited, Millennium Challenge Account - Malawi, and Investments Alliance Limited.

ANDREW G BARRON
HND Bus

Age 54, appointed to the Board 29 August 2000

Mr Barron is a farmer and Managing Director of Mbabzi Estates Limited and Lincoln Investments (Pvt) Limited, a position that he has held since 1989. He also has a number of other business interests and is a director at Malawi Property Investments Company Limited, New Capital Properties Limited, Capital Developments Limited, Auction Holdings Limited, Seed-Co Malawi Ltd, Plantation House Investments Limited and he chairs Malawi Leaf Ltd. He is an alternate councillor at the Tobacco Association of Malawi.

MAUREEN S T KACHINGWE
MBA, LL.B (Hons)

Age 47, appointed to the Board 31 August 2007

Mrs Kachingwe is a lawyer and currently Director of Legal and Corporate Affairs with Sunbird Tourism Limited a company she has been with from 1994. Prior to this she was a legal practitioner for a private law firm between 1990 and 1993. Mrs Kachingwe has extensive experience in corporate & labour law and has served on a number of corporate and professional boards besides conducting training in Corporate Governance.

DR BERNARD ZINGANO
Dip.Arch: M.Sc. Cert.Man; Ph.D; RIBA; MIA; FRSA;

Age 66, appointed to the Board 21 May 2013

Dr Zingano is a chartered architect, currently the Director and Senior Partner of Zingano and Associates. Before that, he worked in the civil service for over 20 years, becoming Principal Secretary in the Ministry of Works. He set up Mzuzu University and played a crucial role in the development of Malawi University of Science and Technology.
Dr Zingano is an accomplished researcher and author, having published articles on architecture and solar energy in both local and international journals. He is a member of the Royal Institute of British Architects, Royal Society of Arts of London and World Renewable Energy Network.

PROFILES OF MANAGEMENT

DR MATHEWS A P CHIKAONDA

BA Finance & Economics (Hons), Diploma in Business Studies (Distinction), MBA (Finance), Ph.D (Finance)
Director, Group Chief Executive

Age 59, appointed to the Board 1 April 2002

Dr Chikaonda was born on 8th August, 1954. He joined the Group in April 2002 as Group Chief Executive. Prior to this, he served as Assistant Professor of Finance and Associate Professor of Finance (tenured) from 1988 to 1991, and 1992 to 1994, respectively, at Memorial University of Newfoundland in Canada before serving as Deputy Governor of the Reserve Bank of Malawi from August 1994. He was appointed Governor in 1995 and served in this post until March 2000 when he was appointed as Minister of Finance and Economic Planning until January 2002. In his own right, Dr Chikaonda is a Director of Illovo Sugar (Malawi) Limited and Chairman of Malawi's High Level Development Council (HLDC). He is also a member of the Leadership Council for the US-based Initiative for Global Development (IGD).

PIUS P MULIPA

B.A., Dip (Mgt.), M.Sc. (Mgt.)
Director, Group Operations Executive

Age 60, appointed to the Board on 1 January 2008

Mr Mulipa was born on 11th January, 1953. He joined the Group as a Management Trainee in 1977 initially at Peoples Trading Centre Limited and more latterly at Hardware and General Dealers, and Tambala where he was appointed General Manager. In 1996 he was promoted to the position of Assistant Group General Manager – Foods at Press Corporation. In 2000 he was responsible for the Industrial Division and in 2001 he was appointed Group General Manager – Business Development for the Company. He became the Group Operations Executive with effect from 25 September 2001. In his own right, Mr Mulipa is a director of Old Mutual Life Assurance Company Malawi Ltd and the Malawi Revenue Authority.

ANDREW G SESANI

FCCA, CPA(M),
Group Executive Special Assignments
(Until 31/12/2013)

Age 65

Mr Sesani was born on 1st January 1948. He joined the company in October 2002. Between 1988 and 2000, he held the positions of Group Management Accountant, Deputy Group Financial Controller and finally Group Financial Controller with Press Corporation Limited before leaving the employ of the company when it relocated its head office from Lilongwe to Blantyre. Prior to this, Mr Sesani held senior accounting positions in Capital City Development Corporation, Import and Export Company of Malawi Limited and Trans African Transport. He rejoined Press Corporation Limited on 1st October 2002 as Group Financial Controller and was later appointed Group Executive (Special Assignments) effective from 1st October 2010. Mr Sesani retired from the company on 31st December 2013.

ELIZABETH MAFENI

MBL, FCCA, CPA(M), B.Com.
Group Financial Controller

Age 45

Mrs Elizabeth Mafeni was born on 26th October 1968. She joined the Group in September 1999 as Chief Accountant at Malawi Pharmacies Limited. In June 2000 she was transferred to the Corporate Head Office initially as Chief Accountant until 2003 when she was promoted to the position of Group Financial Accountant. On 01 October 2010, she was promoted to the position of Group Financial Controller.

CHARLES J EVANS

B.A.
Group Administration Manager

Age 62

Mr. Evans was born on 7th June 1951. He joined the Group as a Management Trainee in November 1975. He worked in various subsidiary companies before being appointed substantively as a Training Officer in 1977. He was transferred to the People's Trading Centre Group in 1981 where he became Personnel and Training Manager until 1991, when he was promoted to Press Corporation Limited first as deputy, before assuming the position of Manpower Development Manager in 1995. In January 2001 he was appointed Group General Manager - Human Resources. He was appointed Group Administration Manager/ Company Secretary in September 2001. Mr Evans relinquished the position of Company Secretary on 2nd December 2012.

BENARD M W NDAU

LL.M (USA); LL.B. (Hons)
Company Secretary/ Compliance Officer

Age 41

Mr. Ndau was born on 12 January 1972. He joined the Group in December 2012 as Company Secretary/ Compliance Officer. Prior to this, he served as Director of Regulatory Affairs at Airtel Malawi Ltd. Before joining Airtel, Mr Ndau worked as General Counsel of the Malawi Communications Regulatory Authority (MACRA) from 2008 to 2011 and as Legal Counsel in the legal department of the World Bank in Washington DC from 2005 to 2007. As a legal practitioner, he worked for the private practice firm of Messrs Savjani & Co from 1999 to 2004. Mr. Ndau is a Fulbright Scholar and a part-time post-graduate lecturer in International Commercial Arbitration at the Law School of the University of Malawi, Chancellor College.

PRESS CORPORATION LIMITED
AND ITS SUBSIDIARIES

Financial Statements

for the year ended 31 December 2013

DIRECTORS' REPORT

31 December 2013

The Directors have pleasure in presenting their report together with the audited consolidated and separate financial statements of Press Corporation Limited for the year ended 31 December 2013.

Incorporation and Registered Office

Press Corporation Limited is a company incorporated in Malawi under the Malawi Companies Act, 1984. It was listed on the Malawi Stock Exchange in September 1998 and as a Global Depository Receipt on the London Stock Exchange in July 1998.

The address of its registered office is: 7th Floor, Chayamba Building, P.O. Box 1227, Blantyre

Principal Activities of the Group and the Company

Press Corporation Limited is a diversified group with significant interests in the Malawi economy. Its subsidiary companies operate in real estate; energy; retail and consumer products; financial services and telecommunications. Press Corporation Limited has two joint venture companies in energy and consumer goods sectors, it also has two associates in the agro-industrial and food and beverages sectors.

Financial Performance

The results and state of affairs of the Group and the Company are set out in the accompanying consolidated and separate financial statements which comprise of the statements of: financial position; comprehensive income; changes in equity and cash flows and related notes to the financial statements.

Shareholding

The shareholding structure at year end was as follows:-

	2013	2012
	%	%
Press Trust	44.47	44.47
Old Mutual	12.71	12.71
Deutsche Bank Trust Company America	22.37	22.25
Others	20.45	21.57
	100.00	100.00

Dividends

The net profit attributable to owners of the company for the year of MK9.37 billion (2012: MK6.34 billion) has been added to retained earnings. An interim dividend of MK240.4 million (2012: MK200 million) representing MK2 per ordinary share (2012: MK1.66) was paid during the year. The directors have further proposed a final dividend for the year 2013 of MK841.4 million (2012: MK420.7million) representing MK7 per share (2012: MK3.50) to be tabled at the forthcoming Annual General Meeting.

Directorate and Company Secretary

Mr. C.S. Chilingulo	-	Chairman	(Throughout the year)
Dr. M.A.P. Chikaonda	-	Director / Group Chief Executive	(Throughout the year)
Mr. S.A. Itaye	-	Director	(Throughout the year)
Mrs. M.S.T. Kachingwe	-	Director	(Throughout the year)
Mr. A.G. Barron	-	Director	(Throughout the year)
Mr P.P. Mulipa	-	Director	(Throughout the year)
Mr. C. Kapanga	-	Director	(Throughout the year)
Dr. B.Zingano	-	Director	(From 20th May 2013)
Mr. B.M.W. Ndau	-	Company Secretary	(Throughout the year)

As per the requirements of the Articles of Association of the Company, one of the directors, Mr A.G. Barron, is due for retirement at the forthcoming Annual General Meeting, but, being eligible, offers himself for re-election.

Mr. C. Chilingulo
Chairman
4 April 2014

Dr M A P Chikaonda
Group Chief Executive

STATEMENT OF DIRECTORS' RESPONSIBILITIES

31 December 2013

The Directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements of Press Corporation Limited and its subsidiaries, comprising the statements of financial position at 31 December 2013, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the Directors' report, in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act, 1984.

The Act also requires the Directors to ensure that the Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act, 1984.

In preparing the financial statements, the Directors accept responsibility for the following:

- Maintenance of proper accounting records;
- Selection of suitable accounting policies and applying them consistently;
- Making judgments and estimates that are reasonable and prudent;
- Compliance with applicable accounting standards, when preparing financial statements; and
- Preparation of financial statements on a going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The Directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for maintaining adequate accounting records and an effective system of risk management.

The Directors' responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The Directors have made an assessment of the Group's ability to continue as a going concern and have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

The auditor is responsible for reporting on whether the annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of the financial statements

The financial statements of the Group and Company, as indicated above, were approved by the board of Directors on 4 April 2014 and are signed on its behalf by:

Mr. C. Chilingulo
Chairman

Dr M A P Chikaonda
Group Chief Executive

4 April 2014

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF PRESS CORPORATION LIMITED AND ITS SUBSIDIARIES

for the year ended 31 December 2013

Deloitte.

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Malawi

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Report on the Financial Statements

We have audited the separate and consolidated financial statements of Press Corporation Limited and its subsidiaries (the Group) as set out on pages 36 to 115, which comprise the statement of financial position as at 31 December 2013, and the statement of comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The Group's directors are responsible for preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 1984 and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group as of 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in accordance with the provisions of the Companies Act, 1984, so far as concerns the members of the company.

Deloitte.

Certified Public Accountants
Blantyre, Malawi.

4 April 2014

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION

As at 31 December 2013

In millions of Malawi Kwacha

		Group			Company	
Assets	Notes	31/12/13	31/12/12 Restated	01/01/12 Restated	31/12/13	31/12/12
Non-current assets						
Property, plant and equipment	9	68,206	63,774	48,450	874	842
Biological assets	10	12	17	7	-	-
Goodwill	11	427	427	-	-	-
Intangible assets	12	5,698	3,618	2,357	502	254
Investment properties	13	3,096	3,591	2,869		-
Investments in subsidiaries	14	-	-	-	86,849	38,655
Investments in joint ventures	15	1,212	2,586	6,014	8,074	7,096
Investments in associates	16	12,710	6,328	1,448	19,010	18,511
Loans and advances to customers	17	16,252	19,240	8,310	-	-
Finance lease receivables	18	4,133	4,260	3,024	-	-
Loans receivable from group companies	19	-	-	-	5	207
Other investments	20	1,669	3,553	3,228	-	304
Deferred tax assets	21	4,928	1,272	853	-	-
Total non-current assets		118,343	108,666	76,560	115,314	65,869
Current assets						
Inventories	22	6,561	5,635	2,079	7	13
Biological assets	10	36	80	68	-	-
Loans and advances to customers	17	34,152	29,295	32,702	-	-
Finance lease receivables	18	712	510	589	-	-
Other investments	20	32,342	11,823	9,592	-	-
Trade and other receivables-group companies	23	-	-	-	898	105
Trade and other receivables - other	24	21,387	18,098	8,225	440	158
Assets classified as held for sale	25	200	-	459	-	-
Income tax recoverable	26	342	214	140	40	-
Cash and cash equivalents	27	58,022	33,821	19,800	491	474
Total current assets		153,754	99,476	73,654	1,876	750
Total assets		272,097	208,142	150,214	117,190	66,619
Equity and liabilities						
Equity						
Share capital	28	1	1	1	1	1
Share premium		2,097	2,097	2,097	2,097	2,097
Other reserves	29	18,577	13,013	9,259	81,985	49,973
Retained earnings		36,415	26,866	20,175	4,129	2,312
Total equity attributable to equity holders of the company		57,090	41,977	31,532	88,212	54,383
Non-controlling interest		23,394	17,148	16,384	-	-
Total equity		80,484	59,125	47,916	88,212	54,383
Non-current liabilities						
Loans and borrowings	30	17,306	17,001	6,828	80	381
Provisions		-	-	913	-	-
Deferred income		467	88	-	-	-
Long term loans payable to group companies	32	-	-	-	2,765	453
Deferred tax liabilities	21	3,461	2,848	3,878	23,976	9,603
Total non-current liabilities		21,234	19,937	11,619	26,821	10,437
Current liabilities						
Bank overdraft	27	3,035	2,270	2,693	589	109
Loans and borrowings	30	10,036	7,490	3,916	495	753
Provisions	31	3,619	3,206	844	393	384
Income tax payable	33	3,304	1,906	1,774	109	-
Trade and other payables	34	31,844	26,779	13,777	523	527
Trade and other payables to group companies	35	-	-	-	48	26
Customer deposits	36	118,541	87,429	67,675	-	-
Total current liabilities		170,379	129,080	90,679	2,157	1,799
Total liabilities		191,613	149,017	102,298	28,978	12,236
Total equity and liabilities		272,097	208,142	150,214	117,190	66,619

The financial statements of the Group and Company were approved for issue by the Board of Directors on 4 April 2014 and were signed on its behalf by:

Mr. C. Chilingulo
Chairman

Dr M A P Chikaonda
Group Chief Executive

CONSOLIDATED AND SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

As at 31 December 2013

In millions of Malawi Kwacha

		Group		Company	
	Notes	2013	2012	2013	2012
Continuing operations					
Revenue	37	113,717	74,544	6,846	3,515
Direct trading expenses	38	(51,821)	(30,638)	(22)	(16)
Gross profit		61,896	43,906	6,824	3,499
Other operating income	39	4,684	4,577	431	682
Distribution expenses`	40	(1,530)	(1,891)	-	-
Administrative expenses	41	(37,953)	(29,527)	(3,100)	(1,354)
Other operating expenses	42	(136)	(79)	-	(8)
Results from operating activities		26,961	16,986	4,155	2,819
Finance income	43	4,222	903	1,311	103
Finance costs	43	(10,679)	(8,071)	(2,335)	(1,095)
Net finance costs		(6,457)	(7,168)	(1,024)	(992)
Share of results of equity-accounted investees	44	5,915	3,421	-	-
Profit before income tax		26,419	13,239	3,131	1,827
Income tax expense	45	(9,060)	(3,738)	(653)	(340)
Profit from continuing operations		17,359	9,501	2,478	1,487
Discontinued operations					
Profit from discontinued operations (net of income tax)	8	5	12	-	-
Profit for the year		17,364	9,513	2,478	1,487
Other comprehensive income:					
Items that will not be reclassified subsequently to profit or loss:					
Foreign currency translation difference		(8)	52	-	-
Revaluation of property, plant and equipment		1,806	4,488	-	-
Re-measurement to fair value of pre-existing interest in acquiree		-	(254)	-	-
Share of other comprehensive income of equity accounted investments		3,796	-	-	-
Income tax on other comprehensive income	21	2,119	(12)	(14,373)	222
Items that may be reclassified subsequently to profit or loss:					
Net change in fair value of available for sale financial assets		184	-	46,385	17,480
Other comprehensive income for the year (net of tax)		7,897	4,274	32,012	17,702
Total comprehensive income for the year		25,261	13,787	34,490	19,189
Profit attributable to:					
Owners of the Company		9,372	6,340	2,478	1,487
Non-controlling interest		7,992	3,173	-	-
Profit for the year		17,364	9,513	2,478	1,487
Total comprehensive income attributable to:					
Owners of the Company		15,774	10,274	34,490	19,189
Non- controlling interests		9,487	3,513	-	-
Total comprehensive income for the year		25,261	13,787	34,490	19,189
Earnings per share					
Basic and diluted earnings per share (MK)	46	77.97	52.75	-	-
Continuing operations					
Basic and diluted earnings per share (MK)	46	77.93	52.84	-	-

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2013

In millions of Malawi Kwacha

	Issued capital	Share premium	Other reserves	Retained earnings	Total equity attributable to equity holders of company	Non-controlling interest	Total Equity
GROUP							
2013							
Balance at 1 January 2013	1	2,097	13,013	26,866	41,977	17,148	59,125
Profit for the year	-	-	-	9,372	9,372	7,992	17,364
Other comprehensive income	-	-	6,402	-	6,402	1,495	7,897
Total comprehensive income for the year	-	-	6,402	9,372	15,774	9,487	25,261
Release of revaluation surplus on disposal	-	-	(11)	11	-	-	-
Transfer to loan loss reserve	-	-	(662)	662	-	-	-
Depreciation transfer land and buildings	-		(165)	165	-	-	-
Dividends to equity holders	-	-	-	(661)	(661)	(3,241)	(3,902)
Balance at 31 December 2013	1	2,097	18,577	36,415	57,090	23,394	80,484

	Issued capital	Share premium	Other reserves	Retained earnings	Total equity attributable to equity holders of company	Non-controlling interest	Total Equity
GROUP							
2012							
Balance at 1 January	1	2,097	9,259	20,175	31,532	16,384	47,916
Profit for the year	-	-	-	6,340	6,340	3,173	9,513
Other comprehensive income for the year	-	-	3,916	18	3,934	340	4,274
Total comprehensive income for the year	-	-	3,916	6,358	10,274	3,513	13,787
Release of revaluation surplus on disposal	-	-	(266)	266	-	-	-
Transfer to loan loss reserve	-	-	166	(166)	-	-	-
Goodwill on acquisition of a subsidiary			427	-	427		427
Depreciation transfer land and buildings			(20)	20	-	-	-
Reversal of excess depreciation	-	-	(469)	469	-	-	-
Income recognised directly in equity			-	304	304	-	304
Dividends to equity holders	-	-	-	(560)	(560)	(2,764)	(3,324)
Minority interest arising on business combinations	-	-	-	-	-	15	15
Balance at 31 December 2012	1	2,097	13,013	26,866	41,977	17,148	59,125

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2013

In millions of Malawi Kwacha

	Note	Issued capital	Share premium	Other reserves	Retained earnings	Total
COMPANY						
2013						
Balance at 1 January 2013		1	2,097	49,973	2,312	54,383
Profit for the year		-	-	-	2,478	2,478
Other comprehensive income		-	-	32,012	-	32,012
Total comprehensive income for the year		-	-	32,012	2,478	34,490
Dividends to equity holders		-	-	-	(661)	(661)
Balance at 31 December 2013		1	2,097	81,985	4,129	88,212
COMPANY						
2012						
Balance at 1 January 2012		1	2,097	32,271	1,081	35,450
Profit for the year		-	-	-	1,487	1,487
Other comprehensive income		-	-	17,702	-	17,702
Total comprehensive income for the year		-	-	17,702	1,487	19,189
Dividends to equity holders		-	-	-	(560)	(560)
Income recognised directly in equity		-	-	-	304	304
Balance at 31 December 2012		1	2,097	49,973	2,312	54,383

CONSOLIDATED STATEMENTS OF CASHFLOWS

for the year ended 31 December 2013

In millions of Kwacha

		Group		Company	
	Notes	2013	2012 Restated	2013	2012 Restated
Cash generated by/(used in) operations	51	60,616	27,903	(3,296)	(460)
Interest paid		(3,106)	(5,397)	(945)	(179)
Income taxes paid		(8,866)	(5,456)	(584)	(365)
Net cash from/(used in) operating activities		48,644	17,050	(4,825)	(1,004)
Cash flows from investing activities					
Purchase of property, plant and equipment		(9,645)	(15,897)	(159)	(553)
Purchase intangible assets		(2,590)	(1,641)	(271)	(206)
Purchase of investment property		(55)	(16)	-	-
Purchase of other investments		(29,585)	(3,176)	(2,579)	(1,058)
Proceeds on disposal of other investments		11,355	8,116	-	1,546
Loans repaid to subsidiary companies		-	-	-	(350)
Loans issued to subsidiary companies		-	-	(202)	(203)
Proceeds from sale of property, plant and equipment		874	923	11	16
Dividend received		4,701	736	6,551	3,391
Interest received		4,222	1,008	151	103
Net cash flow to investing activities		(20,723)	(9,947)	3,502	2,686
Cash flows from financing activities					
Long term borrowings received		5,680	13,514	2,974	350
Repayments of long term borrowings		(6,262)	(3,998)	(1,453)	(762)
Dividend paid to non-controlling interest		(3,242)	(1,615)	-	-
Dividend paid		(661)	(560)	(661)	(560)
Net cash flow from financing activities		(4,485)	7,341	860	(972)
Net increase/(decrease) in cash and cash equivalents		23,436	14,444	(463)	710
Cash and cash equivalents at start of the year		31,551	17,107	365	(345)
Cash and cash equivalents at end of the year	27	54,987	31,551	(98)	365

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2013

In millions of Malawi Kwacha

1. REPORTING ENTITY

Press Corporation Limited ('the company') is a company incorporated in Malawi under the Companies Act, 1984. It was listed on the Malawi Stock Exchange in September 1998 and as a Global Depository Receipt on the London Stock Exchange in July 1998. The consolidated and separate financial statements as at, and for the year ended, 31 December 2013 comprise the company and its subsidiaries (together referred to as 'Group' and individually as 'Group entities') and the Group's interest in associates and joint ventures.

The address of its registered office and principal place of business are disclosed in the directors' report together with principal activities of the group.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and provisions of the Companies Act, 1984.

2.2 Basis of measurement

The consolidated and separate financial statements have been prepared on the historical cost basis except for the following items in the statement of financial position:

- Financial instruments at fair value through profit or loss are measured at fair value.
- Biological assets are measured at fair value less costs to sell.
- Investment property is measured at fair value.
- Investments in subsidiaries, joint ventures and associates are measured at fair value in the company financial statements.
- Property is measured at fair value.

The methods used to measure fair values are discussed further in note 4.

2.3 Functional and presentation currency

These consolidated and separate financial statements are presented in Malawi Kwacha, which is the Group's functional currency. Except as indicated, all financial information presented in Malawi Kwacha has been rounded to the nearest million.

2.4 Use of estimates and judgements

The preparation of consolidated and separate financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated and separate financial statements, and have been applied consistently by Group entities.

3.1 Basis of consolidation

i) Subsidiaries

The consolidated and separate financial statements include all subsidiaries that are controlled by the Company. Under the Companies Act, 1984 and International Financial Reporting Standard 10, *Consolidated Financial Statements,* control is presumed to exist where the company is exposed or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The control principle is applied in circumstances when voting rights or similar rights give an investor power including situations where the company holds less than a majority of voting rights and in circumstances involving potential voting rights; when the entity is designed

3. SIGNIFICANT ACCOUNTING POLICIES CONTINUED)

3.1 Basis of consolidation (continued)

i) Subsidiaries (continued)

so that voting rights are not the dominant factor in deciding who controls the entity; in circumstances involving agency relations and when the company has control over specified assets of an entity The financial statements of subsidiaries are included in the consolidated and separate financial statements from the date that control commences until the date that control ceases.

In the separate financial statements the investments are measured at fair value. These are valued on a regular basis by external valuators.

ii) Jointly controlled entities

Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Accounting for jointly controlled entities is governed by the IFRS 11 which requires jointly controlled entities to be accounted using the equity method.

Investments in jointly controlled entities are initially recognised at cost which includes transaction costs.

In the separate financial statements, the investments are measured at fair value. These are valued on a regular basis by external valuers on behalf of the directors.

iii) Associates

The consolidated and separate financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. Investments in associates are initially recognised at cost which includes transaction costs. Associated companies are those entities in which the Company or a subsidiary has a long-term interest and has significant influence, but not control, over the financial and operating policies. Where associates have different year-ends to the Company, management accounts for the year-end that is coterminous with the group's year are used after review for compliance with year-end procedures and Group accounting policies. The Group's investment includes goodwill identified at acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees. When the Group's share of losses exceeds the carrying amount of the associate including any long-term interests that form part thereof, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations or has made payment on behalf of the associates.

In the separate financial statements the investments are measured at fair value. These are valued on regular basis by external valuers.

iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

v) Non-controlling interest

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's interest therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interest's share of changes in equity since the date of the combination.

vi) Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

3.2 Foreign currency

i) *Foreign currency transactions*

Transactions in foreign currencies are translated to the respective functional currencies at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Malawi Kwacha at the exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to Malawi Kwacha at exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit or loss except for differences arising from retranslation of non-monetary available-for-sale instruments which are recognised in other comprehensive income.

ii) *Foreign operations*

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Malawi Kwacha at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Malawi Kwacha at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and presented in the translation reserve in equity.

3.3 Property, plant and equipment

(i) *Recognition and measurements*

Land and buildings are measured at revalued amounts less accumulated depreciation and impairment losses. Items of all plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of material and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located when the group has the obligation to remove the asset or restore the site. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Interest and foreign exchange losses on loans which are utilised for the purchase and construction of qualifying assets are capitalised until when the asset is substantially ready for use after which they are recognised in profit or loss.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other operating income in profit or loss. When revalued assets are disposed of, the amounts included in the revaluation reserve are transferred to retained earnings.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2013

In millions of Malawi Kwacha

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Property, plant and equipment (continued)

ii) Reclassification to investment properties

When the use of a property changes from owner-occupied to investment property, the property is re-measured to fair value and reclassified as investment property. A gain is recognised in profit or loss to the extent it reverses a previous impairment on the specific property. Any remaining gain arising on re-measurement is recognised in other comprehensive income and presented in the revaluation reserve in equity. Any loss is recognised in other comprehensive income and presented in the revaluation reserve in equity to the extent that an amount had previously been included in the revaluation reserve relating to the specific property, with any remaining loss recognised immediately in the profit or loss.

iii) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefit embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

iv) Revaluation

Revaluations of property and plant are carried out by independent valuers with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the reporting date as economic conditions dictate. The basis of valuation used is current market value. Surpluses on revaluations are accounted for in the revaluation reserve. Accumulated depreciation is eliminated to the gross carrying amount on revaluation. On disposal of the asset, the portion of the reserve related to the specific asset is transferred to retained earnings. Revaluation decreases are charged to the profit or loss except to the extent that they relate to revaluation surpluses previously transferred to the revaluation reserve. An amount equivalent to the additional depreciation arising from revaluations is transferred annually, net of deferred tax, from the revaluation reserve to retained earnings.

v) Depreciation

Depreciation is based on the cost of an asset less its residual value. Depreciation is recognised in profit or loss on a straight- line basis over the estimated useful lives of each item of property, plant and equipment. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately. Items of property, plant and equipment are depreciated from the date they are ready for use. Leased assets are depreciated over the shorter of the lease term and their useful lives if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

Buildings	40 - 50 years
Plant, furniture and equipment	2- 40 years
Motor vehicles	3- 5 years

The assets' residual values, useful lives and depreciation method are reviewed and adjusted if appropriate, at each reporting date.

3.4 Intangible assets

i) Goodwill

Goodwill arising on an acquisition represents the excess of the fair value of the consideration transferred, the recognised amount of any non-controlling interests in the acquiree and, in a business combination achieved in stages, the fair value of existing equity interest in the acquiree over the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. Goodwill is measured at cost less impairment losses. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2013

In millions of Malawi Kwacha

ii) ***Gain from bargain purchase***

A gain resulting from a bargain purchase arising on an acquisition represents the excess of the fair value of the net identifiable assets acquired over the fair value of the consideration transferred, the recognised amount of any non-controlling interests in the acquiree and, in a business combination achieved in stages, the fair value of existing equity interest in the acquiree. The gain from a bargain purchase is recognised immediately in profit or loss.

iii) ***Computer software***

Acquired computer software that has a probable economic life exceeding one year is recognised as an intangible asset and is capitalised on the basis of the costs to acquire and bring to use the specific software. Computer software is amortised over its useful life. The estimated useful life is five years (current and comparative years).

iv) ***Other intangible assets***

Other intangible assets that are acquired by the Group are measured at cost less accumulated amortisation and impairment losses. The estimated useful live is five years (current and comparative years).

v) ***Subsequent expenditure***

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

vi) ***Amortisation***

Amortisation is based on the cost of an asset less its residual value. Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. Goodwill is not amortised but is reviewed for impairment annually as outlined in note 3.9 below.

3.5 Biological assets

Biological assets are measured at fair value less costs to sell, with any gain or loss recognised in profit or loss. Costs to sell include all costs that would be necessary to sell the assets including transportation costs.

The fair value of fish held for sale is based on the market price of fish of similar age, breed and genetic merit.

3.6 Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of material and direct labour, any other cost directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

3.7 Leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership to/from the Group. All other leases are classified as operating leases.

i) ***The group as a lessor***

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the company's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2013

In millions of Malawi Kwacha

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Leases (continued)

ii) *The group as a lessee*

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The corresponding liability to the lessor is recognised in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance charges are recognised inprofit or loss.

Rentals payable under operating leases are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term. Investment property held under an operating lease is recognised on the Group's statement of financial position at its fair value.

3.8 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in-first out principle, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of items transferred from biological assets is their fair value less costs to sell at the date of transfer.

3.9 Impairment

i) *Financial assets*

A financial asset not carried at fair value through profit and loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset, that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. Interest on an impaired asset continues to be recognised. When an event occurring after the impairment was recognised causes the amount of impairment to decrease, the decrease in impairment loss is reversed through profit or loss.

Individually significant financial assets are tested for impairment on an individual basis. The difference between the acquisition cost (net of principal repayment and amortisation) and current fair value less any impairment loss previously recognised in profit or loss are assessed collectively in groups that share similar credit characteristics, excluding assets considered individually significant.

Available-for-sale financial assets

An impairment loss in respect of an available-for-sale financial asset are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation and the current fair value, less any impairment loss recognised previously in profit or loss. If, in subsequent period, the fair value of the impaired available-for-sale financial assets increases, and the increase can be related objectively to

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2013

In millions of Malawi Kwacha

an event occurring after the impairment loss was recognised, then the impairment loss is reversed, with the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available for sale security is recognised in other comprehensive income.

ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than biological assets, investment property, inventories, deferred tax assets, income tax, assets and non-current assets held for sale within the scope of IFRS 5 are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset'sor cash generating unit's recoverable amount is estimated. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value and the risks specific to the asset.

ii) Non-financial assets (continued)

For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amounting is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. A cash generating unit is the smallest identifiable asset group that generates cash inflows that largely are independent from other assets or group of assets. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Goodwill that forms part of the carrying amount of an investment in an associate is not recognised separately and therefore is not tested for impairment separately. Instead, the entire amount of investment in the associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

3.10 Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as being met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

Immediately before classification as held for sale, the measurement of the assets and/or components of a disposal group are brought up-to-date in accordance with applicable IFRSs. Then, they are recognised at the lower of carrying amount and fair value less costs to sell.

Impairment losses on initial classification as held for sale are included in profit or loss. The same applies to gains and losses on subsequent remeasurement. Gains are not recognised in excess of any cumulative impairment loss.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed or is held for sale, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is represented as if the operations had been discontinued from the start of the comparative period.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Employee benefits

The Group contributes to a number of defined contribution pension schemes on behalf of its employees, the assets of which are kept separate from the Group. Contributions to the Fund are based on a percentage of the payroll and are recognised as an expense in the profit or loss as incurred. Once the contributions have been paid, the group has no further payment obligations.

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

i) *Other long term employee benefits*

The Group's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted.

ii) *Termination benefits*

Termination benefits are recognised as an expense when the Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after reporting period, then they are discounted to their present value.

iii) *Short-term benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Group has a present legal constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

iv) *Share-based payment transactions*

The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

3.12 Provisions

A provision is recognised when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding up of the discount is recognised as finance cost.

i) *Restructuring*

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. Costs relating to the on-going activities of the Group are not provided for. Future operating losses are not provided for.

ii) *Onerous contracts*

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with the contract.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2013

In millions of Malawi Kwacha

iii) Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

3.13 Revenue

Revenue represents amounts invoiced or sales otherwise made in the normal course of trade of the respective companies after deduction of Value Added Tax (VAT) and credit notes where applicable. Group revenue excludes sales between group companies.

Dividends are recognised when the company is entitled thereto.

i) Goods sold and services rendered

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

Revenue from the sale of goods is recognised in profit or loss when significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date.

ii) Fees and commissions

Fees and commission are generally recognised on an accrual basis when the services have been provided.

Fees and commission income, including account servicing fees, investment management fees, sales commission, placement fees and syndication fees, are recognised as the related services are performed or upon the occurrence of a specific act such as a sale, placement or syndication. When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognised on a straight-line basis over the commitment period.

iii) Dividend income

Dividend income for available-for-sale equities is recognised when the right to receive payment is established – this is the ex-dividend date for equity securities.

iv) Other revenue

Revenue on other sales is recognised on the date all risks and rewards associated with the sale are transferred to the purchaser.

Revenue on other services is recognised upon the performance of the contractual obligation.

3.14 Finance income and expense

Finance income comprises interest income on funds invested, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, foreign currency gains, and gains on hedging instruments that are recognised through profit or loss. Interest income is recognised as it accrues, using the effective interest method.

Finance expenses comprise interest expense on borrowings, unwinding of discount on provisions, foreign currency losses, changes in fair value of financial assets at fair value through profit or loss, and impairment losses recognised on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2013

In millions of Malawi Kwacha

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Share capital and dividends

i) Share issue costs

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

ii) Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the directors.

iii) Dividend per share

The calculation of dividend per share is based on the ordinary dividends recognised during the period divided by the number of ordinary shareholders on the register of shareholders on the date of payment.

iv) Earnings per share

The calculation of basic earnings per share is based on the profit or loss attributable to ordinary shareholders for the year and the weighted average number of shares in issue throughout the year. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees. Where new equity shares have been issued by way of capitalisation or subdivision, the profit is apportioned over the shares in issue after the capitalisation or subdivision and the corresponding figures for all earlier periods are adjusted accordingly.

v) Equity instruments

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

3.16 Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

i) Current income tax

Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

ii) Deferred tax

Deferred tax recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: taxable temporary differences arising on the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affect neither accounting nor taxable profit or loss, and temporary differences relating to investments in subsidiaries, associates and joint ventures to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax is measured based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to the same taxable entity, or on different tax entities, but that intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary difference to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2013

In millions of Malawi Kwacha

3.17 Government grants

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with it, and credited to the profit or loss on a straight-line basis over the expected lives of the related assets. All other grants of revenue nature are credited to the profit or loss in the year of receipt.

3.18 Financial assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; and available-for-sale financial assets. Management determines the classification of its financial assets at initial recognition.

Purchases and sales of financial assets at fair value through profit or loss and available-for-sale are recognised on trade-date which is the date on which the Group commits to purchase or sell the asset. Loans and receivables are recognised when cash is advanced to the borrowers. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership.

(i) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as effective hedging instrument. Financial assets at fair value through profit or loss are subsequently measured at fair value with changes in fair value recognised in profit or loss.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. Loans and receivables are subsequently measured at amortised cost using the effective interest method less any impairment losses.

Loans and receivables comprise trade and other receivables and cash and cash equivalents.

a) Trade and other receivables

Trade and other receivables are subsequently measured at amortised cost using the effective interest method. Appropriate allowances for estimated irrecoverable amounts (i.e. impairment losses) are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Trade and other receivables comprise inter-branch accounts, interest receivables, staff advances and other assets and are measured at their amortised cost less impairment losses (refer accounting policy 3.9).

b) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

Cash and cash equivalents are subsequently measured at amortised cost. Bank overdrafts that are payable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2013

In millions of Malawi Kwacha

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 Financial assets (continued)

(iii) Available-for-sale

Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices or which do not meet the definition of fair value through profit or loss, loans and receivables or held-to-maturity financial assets.

Shares in other companies and unlisted shares classified as available for sale and are independently valued as economic conditions dictated. Listed shares are carried at market value.

These investments are subsequently measured at fair value. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in other comprehensive income should be recognised in profit or loss. However, interest on interest-bearing available-for-sale financial assets calculated using the effective interest method is recognised in profit or loss. Dividends on available-for-sale equity instruments are recognised in profit or loss when the entity's right to receive payment is established.

3.19 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liability simultaneously.

3.20 Sale and repurchase agreements

Securities sold subject to repurchase agreements ('repos') are reclassified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral; the counterparty liability is included in amounts due to other banks, deposits from banks, other deposits or deposits due to customers, as appropriate. Securities purchased under agreements to resell ('reverse repos') are recorded as loans and advances to other banks or customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest rate method. Securities lent to counterparties are also retained in the financial statements.

3.21 Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Certain derivatives embedded in other financial instruments, such as the conversion option in a convertible bond, are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are measure at fair value with changes in fair value recognised in profit or loss.

3.22 Financial liabilities

The accounting policies adopted for specific financial liabilities are set out below:

i) Customer deposits and liabilities to other banks

Customer deposits and liabilities to other banks are recognised initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. These are subsequently measured at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in profit or loss as interest over the period of the borrowings using the effective interest method.

ii) Other liabilities

Other financial liabilities comprise loans and borrowings, overdrafts and trade and other payables. Other liabilities are initially measured at fair value net of transaction costs incurred, and are subsequently measured at amortised cost, using the effective interest method.

The group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2013

In millions of Malawi Kwacha

3.23 Fiduciary activities

The Group commonly acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions.

These assets and income arising thereon are excluded from these financial statements, as they are not assets or income of the Group.

3.24 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Executive Officer ("CEO") to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, investment property and intangible assets other than goodwill.

3.25 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

These are initially measured at fair value and subsequently at the higher of the amount initially recognised less amortisation or the amount determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

3.26 Amendments to IFRSs affecting amounts reported in the financial statements

In the current year, the company has adopted those new and revised Standards and Interpretations issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee of the International Accounting Standards Board that are relevant to its operations and are effective for annual reporting periods beginning on 1 January 2013.

IFRS 13 Fair Value Measurement

The company has applied IFRS 13 for the first time in the current year. IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of IFRS 13 is broad; the fair value measurement requirements of IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements, except for share based payment transactions that are within the scope of IFRS 2 Share-based Payment , leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements.

IFRS 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not to apply the disclosure requirements set out in Standard in comparative information provided for periods before the initial application of the Standard. In accordance with the transitional provisions, the group has not made any new disclosures required by IFRS 13 for the 2012 comparative period.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2013

In millions of Malawi Kwacha

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.27 New standards and interpretations not yet effective

At the date of authorisation of these financial statements, the following relevant Standards and Interpretations were in issue but not yet effective:

Pronouncement	Issued	Effective date
IFRS 2 Share-based Payment		
• Amendments resulting from *Annual Improvements 2010-2012 Cycle* (definition of 'vesting condition')	December 2013	Annual periods beginning on or after 1 July 2014
IFRS 3 Business Combinations		
• Amendments resulting from *Annual Improvements 2010-2012 Cycle* (accounting for contingent consideration)	December 2013	Annual periods beginning on or after 1 July 2014
• Amendments resulting from Annual *Improvements 2011-2013 Cycle* (scope exception for joint ventures)	December 2013	Annual periods beginning on or after 1 July 2014
IFRS 7 Financial Instruments: Disclosures		
• Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures	December 2011	Annual periods beginning on or after 1 January 2015 (The effective date of IFRS 9 was subsequently removed, see IFRS 9 below)
IFRS 7 Financial Instruments: Disclosures		
• Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9	December 2013	Applies when IFRS 9 is applied (At the time of issue of the revised version of IFRS 9 including the hedge accounting chapter, IFRS 9 had no stated mandatory effective date, see below)
IFRS 8 Operating Segments		
• Amendments resulting from *Annual Improvements 2010-2012 Cycle* (aggregation of segments, reconciliation of segment assets)	December 2013	Annual periods beginning on or after 1 July 2014

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2013

In millions of Malawi Kwacha

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

4.1 Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to the asset or liability.

i) Derivatives

The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repacking) or based on a valuation technique whose variables include only data from observable markets.

ii) Property

The fair value of property recognised subsequent to initial recognition is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of items of plant, equipment, fixtures and fittings is based on the quoted market prices for similar items.

iii) Biological assets

The fair value of fish older than 9 months, being the age at which it becomes marketable, is based on the market price. The fair value of mother fish is based on the market price of fish of similar age, breed and genetic make-up. The fair value of fingerlings is based on the present value of the net cash flows expected to be realised at maturity.

iv) Investment property

An external, independent valuation company, having appropriate recognised professional's qualifications and recent experience in the location and category of property being valued, values the Group investment property every year. The fair values are based on market values, being the estimated amount for which a property could be exchanged for on the date of the valuation between a willing buyer and a willing seller in an arm's length transactions after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

v) Determination of Telekom Networks Malawi (TNM) as a subsidiary of Press Corporation Limited (PCL)

PCL holds 38.86% of TNM i.e 31.91% directly and 6.95% through Malawi Telecommunications Limited (MTL) and Telecom Holdings Limited (THL). PCL holds 65.88% of THL which hold 80% of MTL which holds 13.87% of TNM. This gives PCL control over 45.78% of TNM.

The directors of the Company assessed whether or not the Group has control over TNM based on whether the Group has the practical ability to direct the relevant activities of TNM unilaterally. In making their judgement, the directors considered the Group's absolute size of holding in TNM and the relative size of and dispersion of the shareholdings owned by the other shareholders. After assessment, the directors concluded that the Group has a sufficiently dominant voting interest to direct the relevant activities of TNM Limited and therefore the Group has control over TNM.

vi) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2013

In millions of Malawi Kwacha

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

4.1 Determination of fair values (continued)

Pronouncement	Issued	Effective date
IFRS 9 ***Financial Instruments***		
• Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures	December 2011	Annual periods beginning on or after 1 January 2015 (Effective date subsequently removed, see below)
• Reissue to incorporate a hedge accounting chapter and permit the early application of the requirements for presenting in other comprehensive income the 'own credit' gains or losses on financial liabilities designated under the fair value option without early applying the other requirements of IFRS 9	November 2013 October 2012	Contains no stated effective date and includes consequential amendments which remove the mandatory effective date of IFRS 9 (2010) and IFRS 9 (2009), leaving the effective date open but allowing each version of the standard to be available for application Note: At its November 2013 meeting, the IASB tentatively decided that the mandatory effective date of IFRS 9 will be no earlier than annual periods beginning on or after 1 January 2017.
IFRS 10 ***Consolidated Financial Statements***		
• Amendments for investment entities	October 2012	Annual periods beginning on or after 1 January 2014
IFRS 12 ***Disclosure of Interests in Other Entities***		
• Amendments for investment entities		Annual periods beginning on or after 1 January 2014
IFRS 13 ***Fair Value Measurement***		
• Amendments resulting from Annual *Improvements 2011-2013 Cycle* (scope of the portfolio exception in paragraph 52)	December 2013	Annual periods beginning on or after 1 January 2014
IAS 16 ***Property, Plant and Equipment***		
• Amendments resulting from *Annual Improvements 2010-2012 Cycle* (proportionate restatement of accumulated depreciation on revaluation)	December 2013	Annual periods beginning on or after 1 January 2014

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2013

In millions of Malawi Kwacha

Pronouncement	Issued	Effective date
IAS 19 Employee Benefits		
• Amended to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service	November 2013	nnual periods beginning on or after 1 January 2014
IAS 24 Related Party Disclosures	December 2013	Annual periods beginning on or after 1 January 2014
• Amendments resulting from *Annual Improvements 2010-2012 Cycle* (management entities)		
IAS 27 Separate Financial Statements (as amended in 2011)		
• Amendments for investment entities	October 2012	Annual periods beginning on or after 1 January 2014
IAS 36 Impairment of Assets		
• Amendments arising from Recoverable Amount Disclosures for Non-Financial Assets	December 2011	Annual periods beginning on or after 1 January 2014
IAS 38 Intangible Assets		
• Amendments resulting from *Annual Improvements 2010-2012 Cycle* (proportionate restatement of accumulated depreciation on revaluation)	May 2013	Annual periods beginning on or after 1 January 2014
IAS 39 Financial Instruments: Recognition and Measurement		
• Amendments for novation's of derivatives	June 2013	Annual periods beginning on or after 1 January 2014
IAS 40 Investment Property		
• Amendments resulting from *Annual Improvements 2011-2013 Cycle* (interrelationship between IFRS 3 and IAS 40)	December 2013	Annual periods beginning on or after 1 January 2014

The directors anticipate that other than IFRS 9, these Standards and Interpretations in future periods will have no significant impact on the financial statements of the Bank. IFRS 9 will impact the measurement of financial instruments.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

4.2 Impairment losses on financial assets

The Group reviews its financial assets to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the profit or loss, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from financial assets before the decrease can be identified with an individual financial asset. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows.

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Key assumptions used:

a) Cash flows arising from repayment agreement are aggregated over yearly intervals of 12 months and assumed to arise at the end of the period;

b) Where there is an agreement but no security in place and cash flows in the subsequent years are doubtful total future estimated cash flows are assumed to be nil;

c) Unsupported guarantees are assumed to result in nil cash flows;

d) No cash flows are assumed to arise where there is no repayment agreement and no security and repayments are erratic or unpredictable; and

e) Cash flows arising from security realisation have been assumed to arise at the end of the calendar year in which they are expected.

4.3 Income taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

5. STATUTORY REQUIREMENTS

In accordance with Section 38 of the Banking Act, 2009, the Reserve Bank of Malawi has established the following requirements as at the reporting date related to the Group's banking business:

5.1 Liquidity reserve requirement

The Group's banking business is required to maintain a liquidity reserve with the Reserve Bank of Malawi equivalent to not less than 15.5% (2012: 15.5%) of total customer deposits. At the end of the year, the liquidity reserve was equivalent to 65.69% (2012: 44%) of total customer deposits.

5.2 Capital adequacy requirement as per Section 10(1) of the Banking Act, 2009

The Bank's available capital is required to be a minimum of10% (2012: 10%) of its risk bearing assets and contingent liabilities. At the end of the year the Bank's available capital was 18.5% (2012: 23.4%) of its risk bearing assets and contingent liabilities.

5.3 Prudential aspects of bank liquidity

As a complement to Section 38 of the Banking Act, 2009, the Reserve Bank of Malawi had issued the following guidelines on the management of liquidity as at the reporting date:

- Liquidity Ratio I - Net liquidity (total liquid asset less suspense accounts in foreign currency) divided by total deposits must be at least 30%.

- Liquidity Ratio II - Net liquidity (total liquid assets less suspense accounts in foreign currency and cheques in the course of collection) divided by total deposits must be at least 20%.

At the end of the year, the Bank's liquidity ratio was 65.95% (2012: 44%) and liquidity ratio II was 65.69%(2012: 44%).

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2013

In millions of Malawi Kwacha

5.4 Regulatory capital

The Reserve Bank of Malawi sets and monitors capital requirements for the Group's banking business as a whole. Regulatory capital requirement is the minimum amount of capital required by the Reserve Bank of Malawi, which if not maintained will usually permit or require supervisory intervention.

In implementing current capital requirements, The Reserve Bank of Malawi requires the Group's banking business to maintain a prescribed ratio of total capital to total risk-weighted assets. The minimum capital ratios are as follows:

- A core capital (Tier 1) of not less than 6% of total risk-weighted on statement of financial position assets plus risk-weighted off-statement of financial position items.
- A total capital (Tier 2) of not less than 10% of its total risk-weighted on statement of financial position assets plus risk-weighted off-statement of financial position items.

The Group's regulatory capital is analysed into two tiers:

- Core capital (Tier 1) which consists of ordinary share capital, share premium, retained profits, 60% of after-tax profits in the current year (or less 100% of current year loss), less any unconsolidated investment in financial companies.
- Total capital (Tier 2), which consists of revaluation reserves and general provisions, when such general provisions have received prior approval of the Reserve Bank of Malawi. Supplementary capital must not exceed core capital i.e. shall be limited to 100% of total core capital.

Banking operations are categorised as either trading book or banking book and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-statement of financial position exposures.

The Board of Directors of the bank is responsible for establishing and maintaining at all times an adequate level of capital. The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Group and individually regulated operations have complied with all externally imposed capital requirements throughout the period. The Group also complied with these requirements in prior years.

There have been no material changes in the Group's management of capital during the period.

The Group's banking business regulatory capital position at 31 December was as follows:

	2013	2012
Tier 1 capital		
Ordinary share capital	467	467
Share premium	613	613
Retained earnings	19,802	12,997
Unconsolidated investments	(390)	(142)
	20,492	13,935
Tier 2 capital		
Loan loss reserve	-	632
Revaluation reserve	6,231	3,785
Total regulatory capital	26,723	18,352
Risk-weighted assets		
Retail bank, corporate bank and treasury	144,555	78,379
Total risk-weighted assets	144,555	78,379
Capital ratios		
Total regulatory capital expressed as a percentage of total risk-weighted assets	18.5%	23.4%
Total tier 1 capital expressed as a percentage of risk-weighted assets	14.2%	17.8%

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2013

In millions of Malawi Kwacha

6. FINANCIAL RISK MANAGEMENT

Overview

The Group has exposure to the following risks from its transactions in financial instruments:

- Strategic risk
- Credit risk;
- Liquidity risk;
- Market risk;
- Currency risk
- Operational risk
- Compliance risk
- Capital adequacy and
- Environmental and social risks.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for identification, measurement, monitoring and controlling risk, and the Group's management of capital.

Risk management framework

The Group's approach to risk management is based on a well-established governance process and relies both on individual responsibility and collective oversight, supported by comprehensive reporting. This approach balances stringent corporate oversight with independent risk management structures within the business units.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board develops the risk appetite and risk tolerance limits appropriate to the Group's strategy and requires that management maintains an appropriate system of internal controls to ensure that these risks are managed within the agreed parameters. The Board delegates risk related responsibilities to three Board Committees: The Risk Committee, the Audit Committee and the Appointments and Remuneration Committee, which are all responsible for developing and monitoring Group risk management policies in their specified areas. All Board Committees have non-executive members and report regularly to the Board of Directors on their activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group strives to maintain a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Risk Committee is responsible for monitoring compliance with the Group's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Group. The Risk Committee is assisted in these functions by the Group Internal Audit Department which undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Risk Committee.

6.1 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers, loans and advances, investment securities and cash and cash equivalents.

i) Trade and other receivables

TThe Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

However, geographically there is no concentration of credit risk.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2013

In millions of Malawi Kwacha

The Group has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval from the credit control department; these limits are reviewed regularly. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment or cash basis.

Most of the Group's customers have been transacting with the Group for over many years, and losses have occurred infrequently. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, whether they are a wholesale, retail or end-user customer, industry, aging profile, maturity and existence of previous financial difficulties. Customers that are graded as "high risk" are placed on a restricted customer list, and future sales are made on a prepayment or cash basis.

The Group does not require collateral in respect of credit sales.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures.

ii) Investments

The Group limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have a good credit rating and ventures into profitable businesses. Given these high credit ratings, a track record of profitable business management does not expect any counterparty to fail to meet its obligations.

iii) Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group's banking business does not intend to sell immediately or in the near term.

When the Group's banking business is the lessor in a lease agreement that transfers substantially all of the risks and rewards incidental to ownership of an asset to the lessee, the arrangement is presented within loans and advances.

When the Group's banking business purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date ("reverse repo"), the arrangement is accounted for as a loan or advance, and the underlying asset is not recognised in the Bank's financial statements.

iv) Cash and cash equivalents

The Group's banking business deposits its cash with the Reserve Bank of Malawi and other highly reputable banks in and outside Malawi.

The credit risks on balances with banks, treasury bills and local registered stocks are limited because the counterparties are institutions with high credit ratings.

6.1 a) Exposure of credit risk

Maximum exposure to credit risk without taking into account any collateral or other credit enhancements.

The table below shows the maximum exposure to credit risk by class of financial instrument. Financial instruments include financial instruments defined and recognised under IAS39 Financial instruments: recognition and measurement as well as other financial instruments not recognised. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2013

In millions of Malawi Kwacha

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 a) Exposure of credit risk (continued)

	Group		Company	
	2013	2012	2013	2012
Gross maximum exposure				
Long term loans receivable – Group	-	-	5	207
Investments in joint ventures and associates	13,922	8,986	113,933	64,262
Trade and other receivables	21,387	18,098	1,338	263
Loans and advances to customers	50,404	48,535	-	-
Finance lease receivables	4,845	4,770	-	-
Cash and cash equivalents	58,022	33,821	491	474
Total recognised financial instruments	148,580	114,210	115,767	65,206
Guarantees and performance bonds	2,792	5,551	1,100	-
Loan commitments and other credit facilities	8,457	240	-	-
Total unrecognised financial instruments	11,249	5,791	1,100	-
Total credit exposure	159,829	120,001	116,867	65,206

6.1(b) Net exposure to credit risk without taking into account any collateral or other credit enhancements

In respect of certain financial assets, the Group has legally enforceable rights to offset them with financial liabilities. However, in normal circumstances, there would be no intention of settling net, or of realising the financial assets and settling the financial liabilities simultaneously. Consequently, the financial assets are not offset against the respective financial liabilities for financial reporting purposes. However, the exposure to credit risk relating to the respective financial assets is mitigated as follows:

GROUP	Carrying amount	Offset	Net exposure to credit risk
At 31 December 2013			
Investments in joint ventures and associates	13,922	-	13,922
Trade and other receivables	21,387	-	21,387
Loans and advances to customers	50,404	-	50,404
Finance Lease receivables	4,845	-	4,845
Cash and cash equivalents	58,022	-	58,022
	148,580	-	148,580
At 31 December 2012			
Investments in joint ventures and associates	8,986	-	8,986
Trade and other receivables	18,098	-	18,098
Loans and advances to customers	48,535	-	48,535
Finance Lease receivables	4,770	-	4,770
Cash and cash equivalents	33,821	-	33,821
	114,210	-	114,210
COMPANY			
At 31 December 2013			
Long term loans receivable - group	5	-	5
Investments in subsidiaries joint ventures and associates	113,933	-	113,933
Trade and other receivables	1,338	-	1,338
Cash and cash equivalents	491	-	491
	115,767	-	115,767

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2013

In millions of Malawi Kwacha

GROUP	Carrying amount	Offset	Net exposure to credit risk
At 31 December 2012			
Long term loans receivable - group	207	-	207
Investments in subsidiaries joint ventures and associates	64,262	-	64,262
Trade and other receivables	263	-	263
Cash and cash equivalents	474	-	474
	65,206	-	65,206

The Group's credit risk is primarily attributed to credit sales made to customers, overdraft and loan facilities extended to its customers. The amounts presented in the statement of financial position are net of provisions for impairment. The specific provision represents allowances for estimated irrecoverable amounts when there is objective evidence that the asset is impaired.

During the year the Governmentof Malawi issued promissory notes in February 2013 to settle its exposure and several other Government Guaranteed loan, including interest, up to the effective date of the promissory notes. The total exposure of the Group to these Government Guarantee loans as at 1 February 2013 was MK16.9b billion. The Group accepted the promissory notes to settle Government Guarantee loans effective 1 February 2013.

6.1(c) Credit quality of loans and advances

The credit quality of loans and advances is managed by the Group using internal credit rating. The table below shows the credit quality of the loans and advances, based on the Group's credit rating system.

GROUP	2013	2012
Loans and advances		
Individually impaired		
Grade 8: Impaired	1,712	508
Grade 9: Impaired	747	487
Gross amount	2,459	995
Allowance for impairment	(369)	(190)
Carrying amount	2,090	805
Past due but not impaired		
Grade 7: Watch list	1,696	16,227
Neither past due nor impaired		
Grade 1-3 Low risk	12,658	17,560
Grade 4-6 Fair risk	33,960	13,943
Total carrying amount	50,404	48,535

Impaired loans and advances

Impaired loans and advances are loans and advances for which the Group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan /advances agreement(s). These loans are graded 8 to 9 in the Group's internal credit risk grading system.

Past due but not impaired loans

These are loans and advances where contractual interest of principal payments are past due but the Group believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to the Group.

Allowance for impairment

The Group establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individual significant exposures.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2013

In millions of Malawi Kwacha

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1(c) Credit quality of loans and advances (Continued)

Write – off policy

The Group writes off a loan balance (and any related allowances for impairment losses) when it is determined that the loans are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

Set out below is an analysis of the gross and net (of allowances for impairment) amounts of individually impaired assets by risk grade.

GROUP	Loans and advances to customers Gross	Allowance for Impairment	Net
31 December 2013			
Grade 8: Individually impaired	1,712		1,712
Grade 9: Individually impaired	747	(369)	378
Total	2,459	(369)	2,090
31 December 2012			
Grade 8: Individually impaired	508	(130)	378
Grade 9: Individually impaired	487	(60)	427
Total	995	(190)	805

The Group holds collateral against loans and advances to customers in the form of mortgage interests over property, cash, equities, registered securities over assets, guarantees and other forms of collateral. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Collateral generally is not held over loans and advances to banks, except when securities are held as part of reverse repurchase and securities lending activity.

An estimate of the fair value of collateral and other security enhancements held against financial assets is shown below:

GROUP	2013	2012
Against individually impaired		
Motor vehicles	347	48
Commercial property	13	315
Residential property	557	221
Total	917	584
Against the rest of the loan book		
Motor vehicles	6,830	6,083
Commercial property	9,413	7,063
Residential property	20,395	11,778
Cash	3,374	2,666
Equities	228	112
Government guarantees	-	11,965
Treasury Bill	41	728
Mortgages over farmland	3,186	1,546
Bank guarantees	302	302
Total	43,769	42,243
Grand total	44,686	42,827

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2013

In millions of Malawi Kwacha

Collateral repossessed

It is the Group's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding loan balance. In general the Group does not occupy repossessed properties for its business.

The Group monitors its banking business concentrations of credit risk by sector. An analysis of concentrations of credit risk at the reporting date is shown below:

Loans and advances to customers

Concentration by sector	2013	2012 Restated
Agriculture	10,434	7,436
Finance and Insurance	2,931	1,044
Manufacturing	13,738	5,758
Other	1,873	9,305
Personal	6,457	4,306
Wholesale and Retail	14,971	20,686
	50,404	48,535
Concentration by sector percentage	%	%
Agriculture	21	15
Finance and Insurance	6	2
Manufacturing	27	12
Other	4	19
Personal	13	9
Wholesale and retail	29	43
	100	100

Credit quality of investment securities

The risk that counterparties to trading instruments might default on their obligations is monitored on an on-going basis. In monitoring credit risk exposure, consideration is given to trading instruments with a positive fair value and the volatility of the fair value of trading instruments.

Credit quality of other financial assets

To manage the level of credit risk, the Group deals with counterparties of good credit standing, enters into master netting agreements wherever possible, and when appropriate, obtains collateral. Master netting agreements provide for the net settlement of contracts with the same counterparty in the event of default.

6.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations from its financial liabilities as they fall due. Liquidity risk arises from financial liabilities that are settled with cash or other financial assets.

(i) Management of liquidity risk

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient cash to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2013

In millions of Malawi Kwacha

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.2 Liquidity risk (continued)

(i) Management of liquidity risk (continued)

The daily management of liquidity of the Group's banking business is entrusted with the Treasury and Financial Institutions Division (TFID). TFID receives information from other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. TFID then maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Group as a whole. The liquidity requirements of business units are funded through deposits from customers. Any short-term fluctuations are funded through treasury activities such as inter-bank facilities, repurchase agreements and others.

TFID monitors compliance of all operating units of the Group with local regulatory limits on a daily basis.

The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by Asset and Liability Committee (ALCO). Daily reports cover the liquidity position of both the Group and operating units. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO.

(ii) Exposure to liquidity risk

The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose net liquid assets are considered as including cash and cash equivalents and investment securities for which there is an active and liquid market less any deposits from banks, other borrowings and commitments maturing within the next month. A similar, but not identical, calculation is used to measure the Group's compliance with the liquidity limit established by the Reserve Bank of Malawi. Details of the reported Group banking business ratio of net liquid assets to deposits from customers at the reporting date and during the reporting period were as follows:

	2013	2012
At 31 December	66%	44%
Average for the period	60%	41%
Maximum for the period	66%	44%
Minimum for the period	54%	38%

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2013

In millions of Malawi Kwacha

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:-

GROUP	Less than 1 month	1-3 months	3-12 months	Over 1 year	Total	Carrying amount
At 31 December 2013						
Bank overdraft	3,035	-	-	-	3,035	3,035
Loans and borrowings	7,253	696	2,087	17,306	27,342	27,342
Liabilities to customers	107,687	4,065	2,189	174	114,115	114,115
Trade and other payables	-	31,844	-	-	31,844	31,844
Total financial liabilities	117,975	36,605	4,276	17,480	176,336	176,336
At 31 December 2012						
Bank overdraft	2,161	109	-	-	2,270	2,270
Loans and borrowings	1,838	259	5,336	17,001	24,434	24,434
Liabilities to customers	70,402	11,872	1,134	-	83,408	83,408
Trade and other payables	13,809	4,598	8,459	-	26,866	26,866
Total financial liabilities	88,210	16,838	14,929	17,001	136,978	136,978
COMPANY						
At 31 December 2013						
Bank overdraft	589	-	-	-	589	589
Loans and borrowings	-	20	515	40	575	575
Long-term loans to group companies	-	-	-	2,765	2,765	2,765
Trade and other payables	-	571	-	-	571	571
Total financial liabilities	589	591	515	2,805	4,500	4,500
At 31 December 2012						
Bank overdraft	-	109	-	-	109	109
Loans and borrowings	-	3	750	381	1,134	1,134
Long-term loans to group companies	-		-	453	453	453
Trade and other payables	-	246	307	-	553	553
Total financial liabilities	-	358	1,057	834	2,249	2,249

6.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity and commodity prices will affect the Group's future cash flows or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

6.3(a) Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the functional currencies of Group entities, primarily U.S. Dollars (USD), Great British Pound (GBP), Euro and South African Rand (ZAR).

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

The Group's investments in subsidiaries are not hedged as those currency positions are considered to be long-term in nature.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2013

In millions of Malawi Kwacha

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.3(a) Currency risk (continued)

The Group had the following significant foreign currency positions:

	MK	USD	GBP	EURO	ZAR	OTHER	TOTAL
GROUP							
At 31 December 2013							
Financial assets							
Investments in joint ventures and associates	13,922	-	-	-	-	-	13,922
Cash and cash equivalents	17,113	31,174	4,899	4,234	378	224	58,021
Finance leases, loans and advances to customers	36,416	13,987	1	-	-	-	50,404
Trade and other receivables	21,387	-	-	-	-	-	21,387
Total financial assets	88,838	45,161	4,900	4,234	378	224	143,735
Financial liabilities							
Bank overdraft	3,035	-	-	-	-	-	3,035
Loans and borrowings	18,994	8,348	-	-	-	-	27,342
Customers deposits	72,185	33,252	4,652	3,746	230	50	114,115
Trade and other payables	15,888	14,286	125	622	406	517	31,844
Total financial liabilities	110,102	55,886	4,777	4,368	636	567	176,336
Net balance open position	(21,264)	(10,725)	123	(134)	(258)	(343)	(32,601)
GROUP							
At 31 December 2012							
Financial assets							
Investments in joint ventures and associates	8,986	-	-	-	-	-	8,986
Cash and cash equivalents	10,181	4,170	13	74	36	-	14,474
Finance leases, loans and advance to customers	47,057	6,247	1	-	-	-	53,305
Trade and other receivables	16,859	14,262	3,271	2,305	651	97	37,445
Total financial assets	83,083	24,679	3,285	2,379	687	97	114,210
Financial liabilities							
Bank overdraft	2,270	-					2,270
Loans and borrowings	9,908	14,526					24,434
Customers deposits	59,188	18,635	3,196	2,283	58	48	83,408
Trade and other payables	18,299	7,161	107	661	326	225	26,779
Total financial liabilities	89,665	40,322	3,303	2,944	384	273	136,891
Net balance open position	(6,582)	(15,643)	(18)	(565)	303	(176)	(22,681)

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2013

In millions of Malawi Kwacha

	MK	USD	GBP	EURO	ZAR	OTHER	TOTAL
COMPANY							
At 31 December 2013							
Financial assets							
Long term loans receivable – Group	5	-	-	-	-	-	5
Investments in joint ventures associates and subsidiaries	113,933	-	-	-	-	-	113,933
Cash and cash equivalents	491	-	-	-	-	-	491
Total financial assets	114,429	-	-	-	-	-	114,429
Financial liabilities							
Bank overdraft	589	-	-	-	-	-	589
Long term payable group	2,765	-	-	-	-	-	2,765
Loans and borrowings	575	-	-	-	-	-	575
Trade and other payables	523	-	-	-	-	-	523
Total financial liabilities	4,452	-	-	-	-	-	4,452
Net balance open position	109,977	-	-	-	-	-	109,977
COMPANY							
At 31 December 2012							
Financial assets							
Long term loans receivable – Group	207	-	-	-	-	-	207
Investments in subsidiaries joint ventures and associates	64,145	-	-	-	-	-	64,145
Cash and cash equivalents	258	5	-	-	-	-	263
Trade and other receivables	64,610	5	-	-	-	-	64,615
Total financial assets							
Financial liabilities	109	-	-	-	-	-	109
Bank overdraft	453	-	-	-	-	-	453
Loans and borrowings	21	1,113	-	-	-	-	1,134
Trade and other payables	160	393	-	-	-	-	553
Total financial liabilities	743	1,506	-	-	-	-	2,249
Net balance	63,867	(1,501)	-	-	-	-	62,366

Foreign currency sensitivity

At the reporting date, if the Malawi Kwacha had weakened/strengthened by 10% against its major trading currencies, with all other variables held constant, post-tax profit for the year would have been higher/lower as follows, mainly as a result of foreign exchange gains/losses:

	Group		Company	
	2013	2012	2013	2012
United States Dollar	(1,073)	(1,564)	-	(150)
Great British Pound	12	(2)	-	-
Euro	(13)	(56)	-	-
South African Rand	26	30	-	-

This analysis is based on foreign currency exchange rate variances that the group considered to be reasonably possible at the reporting date.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2013

In millions of Malawi Kwacha

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.3 Market risk (Continued)

6.3(b) Interest rate risk

The Group adopts a policy of ensuring that between 40 and 60 percent of its exposure to changes in interest rates on borrowings is on a fixed rate basis.

Exposure of interest rate risk-non-trading portfolio

The Group does not bear an interest rate risk on off balance sheet items. A summary of the Group's maturity profile gap position on non-trading portfolio is as follows:

GROUP	Less than 1 month	1-3 months	3-12 months	Over 1 year	Non interest sensitive	Total	Carrying amount
At 31 December 2013							
Financial assets							
Investments in joint ventures and associates	-	-	-	-	13,922	13,922	13,922
Cash and cash equivalents	-	33,785	-	-	24,237	58,022	58,022
Loans and advances to customers	9,467	10,167	19,905	10,865	-	50,404	50,404
Finance lease receivables	-	-	4,845	-	-	4,845	4,845
Trade and other receivables	-	21,387	-	-	-	21,387	21,387
Total financial assets	9,467	65,339	24,750	10,865	38,159	148,580	148,580
Financial liabilities							
Bank overdraft	3,035	-	-	-	-	3,035	3,035
Loans and borrowings	-	696	9,340	17,306	-	27,342	27,342
Customer deposits	104,891	4,065	2,189	714	2,256	114,115	114,115
Trade and other payables	-	31,844	-	-	-	31,844	31,844
Total financial liabilities	107,926	36,605	11,529	18,020	2,256	176,336	176,336
Maturity profile gap	(98,459)	28,734	13,221	(7,155)	35,903	(27,756)	(27,756)
At 31 December 2012							
Financial assets							
Investments in joint ventures and associates	-	-	-	-	8,986	8,986	8,986
Cash and cash equivalents	14,000	467	-	-	7	14,474	14,474
Loans and advances to customers	11,979	3,923	13,393	19,240	-	48,535	48,535
Trade and other receivables	26,251	3,849	1,883	1	5,461	37,445	37,445
Total financial assets	52,230	8,239	15,276	19,241	14,454	109,440	109,440

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2013

In millions of Malawi Kwacha

GROUP	Less than 1 month	1-3 months	3-12 months	Over 1 year	Non interest sensitive	Total	Carrying amount
At 31 December 2012							
Financial liabilities							
Bank overdraft	807	-	1,463	-	-	2,270	2,270
Loans and borrowings	3,250	749	3,434	16,891	110	24,434	24,434
Customer deposits	69,203	11,872	1,133	-	1,200	83,408	83,408
Trade and other payables	8,077	3,811	1,879	-	13,099	26,866	26,866
Total financial liabilities	81,337	16,432	7,909	16,891	14,409	136,978	136,978
Interest sensitivity gap	(29,107)	(8,193)	7,367	2,350	45	(27,538)	(27,538)
COMPANY							
At 31 December 2013							
Financial assets							
Long term loans receivable-Group	-	-	-	5	-	5	5
Investments in subsidiaries joint ventures and associates	-	-	-	-	113,933	113,933	113,933
Cash and cash equivalents	-	491	-	-	-	491	491
Trade and other receivables	-	-	-	-	1,338	1,338	1,338
Total financial assets	-	491	-	5	115,271	115,767	115,767
Financial liabilities							
Bank overdraft	589	-	-	-	-	589	589
Loans and borrowings	-	-	-	80	-	80	80
Long term loans to group companies	-	-	-	2,765	-	2,765	2,765
Trade and other payables	-	571	-	-	-	571	571
Total financial liabilities	589	571	-	2,845	-	4,005	4,005
Interest sensitivity gap	(589)	(80)	-	(2,840)	115,271	111,762	111,762

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2013

In millions of Malawi Kwacha

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.3 Market risk (Continued)

6.3(b) Interest rate risk (continued)

COMPANY	Less than 1 month	1-3 months	3-12 months	Over 1 year	Non interest sensitive	Total	Carrying amount
At 31 December 2012							
Financial assets							
Long term loans receivable – Group	-	-	-	207	-	207	207
Investments in subsidiaries, joint ventures and associates	-	-	-	-	64,262	64,262	64,262
Cash and cash equivalents	-	467	-	-	7	474	474
Trade and other receivables	-	-	-	-	263	263	263
Total financial assets	-	467	-	207	64,532	65,206	65,206
Financial liabilities							
Bank overdraft	109	-	-	-	-	109	109
Loans and borrowings	-	-	753	381	-	1,134	1,134
Trade and other payables	-	-	-	453	-	453	453
Total financial liabilities	-	-	-	-	553	553	553
Interest sensitivity gap	109	-	753	834	553	2,249	2,249

6.3(c) Other market price risk

Equity price risk arises from available-for-sale equity securities listed on the Malawi Stock Exchange.

As at 31 December 2013, the Company had the followings financial assets that exposed it to price risk.

	2013	2012
Financial asset		
Investment in National Bank of Malawi	51,695	13,248
Investment in Telekom Networks Malawi Limited	9,612	2,269
	61,307	15,517

Exposure of interest rate risk-non-trading portfolio

At 31 December 2013, if the share price had weakened/strengthened by 5% with all other variables held constant, the Company's post-tax profit for the year would have been higher/lower as follows:

	2013	2012
Financial asset		
Investment in National Bank of Malawi	2,585	662
Investment in Telekom Networks Malawi Limited	481	113
	3,066	775

The analysis is performed on the same basis for 2012and 2013 and assumes that all other variables remain the same.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2013

In millions of Malawi Kwacha

6.4 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations and are faced by all business entities.

The Group's objectives is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the Group's Audit Committee by the development of overall Group standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- Requirements for the reporting of operational losses and proposed remedial action;
- Prevention of business disruption and system failures and development of contingency plans;
- Ethical and business standards;
- Risk mitigation, including insurance where this is effective; and
- Safeguarding assets against loss or damage.

Compliance with Group standards is supported by a programme of periodic reviews undertaken by internal audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the Group.

6.5 Compliance risk

Compliance is an independent core risk management activity, which also has unrestricted access to the Chief Executive and the Chairman of the Board. The Group is subject to extensive supervisory and regulatory regimes, and the Executive management remains responsible for overseeing the management of the Group's compliance risk.

Money laundering control and occupational health and safety (including aspects of environment risk management) are managed within the compliance function and there are increasingly onerous legislative requirements being imposed in both areas. The Group has adopted anti-money laundering policies including Know Your Customer policies and procedures and adheres to the country's anti-money laundering legislation and Reserve Bank of Malawi regulations and directives.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2013

In millions of Malawi Kwacha

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.6 Financial assets and liabilities

Accounting classifications and fair values

The table below sets out the Group's and company's classification of each class of financial assets and liabilities, and their fair values:

	Note	Loans and receivables	Available for sale	Amortised cost	Total carrying amount	Fair value
GROUP						
At 31 December 2013						
Financial assets						
Cash and cash equivalents	27	58,022	-	-	58,022	58,022
Trade and other receivables	24	21,387	-	-	21,387	21,387
Other investments	20		18,820	10,765	29,585	29,585
Finance lease receivables	18	4,133	-	-	4,133	4,133
Loans and advances to customers	17	50,404	-	-	50,404	50,404
		133,946	18,820	10,765	163,531	163,531
Financial liabilities						
Bank overdraft	27	-	-	3,035	3,035	3,035
Loans and borrowings	30	-	-	27,319	27,319	27,319
Trade and other payables	34	-	-	31,844	31,844	31,844
Customer deposits	36	-	-	114,115	114,115	114,115
		-	-	176,313	176,313	176,313
At 31 December 2012						
Financial assets						
Cash and cash equivalents	27	14,474	-	-	14,474	14,474
Trade and other receivables	24	37,445	-	-	37,445	37,445
Other investments	20	-	11,355	-	11,355	11,355
Loans and advances to customers	18	48,535	-	-	48,535	48,535
		100,454	11,355	-	111,809	111,809
Financial liabilities						
Bank overdraft	27	-	-	2,270	2,270	2,270
Loans and borrowings	30	-	-	24,491	24,491	24,491
Trade and other payables	34	-	-	26,779	26,779	26,779
Customer deposits	36	-	-	83,408	83,408	83,408
		-	-	136,948	136,948	136,948

NOTES TO THE
CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2013

In millions of Malawi Kwacha

	Note	Loans and receivables	Available for sale	Amortised cost	Total carrying amount	Fair value
COMPANY						
At 31 December 2013						
Cash and cash equivalents	27	491	-	-	491	491
Trade and other receivables - Group	23	898	-	-	898	898
Trade and other receivables	24	440	-	-	440	440
Loans receivables - Group	19	5	-	-	5	5
Investments in associates	16	-	19,010	-	19,010	19,010
Investments in joint ventures	15	-	8,074	-	8,074	8,074
Investments in subsidiaries	14	-	86,849	-	86,849	86,849
		1,834	113,933	-	115,767	115,767
Financial liabilities						
Bank overdraft	27	-	-	589	589	589
Loans and borrowings	30	-	-	575	575	575
Trade and other payables	34	-	-	523	523	523
Trade and other payables to group companies	35	-	-	48	48	48
Long term loans payable to group companies	32	-	-	2,765	2,765	2,765
		-	-	4,500	4,500	4,500
At 31 December 2012						
Financial assets						
Cash and cash equivalents	27	474	-	-	474	474
Trade and other receivables - Group	23	105	-	-	105	106
Trade and other receivables	24	158	-	-	158	158
Long-term receivables – Group	19	207	-	-	207	207
Investments in associates	17	-	18,511	-	18,511	18,511
Investments in joint venture	16	-	7,096	-	7,096	7,097
Investments in subsidiaries	15	-	38,655	-	38,655	38,655
Other investments		304	-	-	304	304
		1,248	64,262	-	65,510	65,510
Financial liabilities						
Bank overdraft	27	-	-	109	109	109
Loans and borrowings	30	-	-	1,134	1,134	1,134
Trade and other payables	34	-	-	527	527	527
Trade and other payables to group companies	35	-	-	26	26	26
Long term loans payable to group companies	32	-	-	453	453	453
		-	-	2,249	2,249	2,249

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2013

In millions of Malawi Kwacha

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.6 Financial assets and liabilities (continued)

Fair value hierarchy of financial assets and financial liabilities that are not measured at fair value on a recurring basis(but fair value disclosures are required)

The table below sets out the Group's and company's fair values of financial assets and liabilities that are not measured at fair value but fair value disclosures are required:

GROUP	Notes	Level 1	Level 2	Level 3	Total
At 31 December 2013					
Cash and cash equivalents	27	24,237	-	-	24,237
Trade and other receivables	24	-	21,387	-	21,387
Balances with other banks		33,785	-	-	33,785
Other investments	20	10,765	18,820	-	29,585
Finance lease receivables	18	-	4,133	-	4,133
Loans and advances to customers	17	-	50,404	-	50,404
		68,787	94,744	-	163,531
Financial liabilities					
Bank overdraft	27	-	3,035	-	3,035
Loans and borrowings	30	-	27,319	-	27,319
Trade and other payables	34	-	31,844	-	31,844
Customer deposits	36	-	114,115	-	114,115
		-	176,313	-	176.313

COMPANY	Notes	Level 1	Level 2	Level 3	Total
At 31 December 2013					
Cash and cash equivalents	27	491	-	-	491
Trade and other receivables – Group	23	-	898	-	898
Trade and other receivables	24	-	440	-	440
Loans receivables – Group	19	-	5	-	5
Investments in associates	16	-	-	19,010	19,010
Investments in joint ventures	15	-	-	8,074	8,074
Investments in subsidiaries	14	61,307	-	25,182	86,489
		61,798	1,343	52,266	115,407
Financial liabilities					
Bank overdraft	27	-	589	-	589
Loans and borrowings	30	-	575	-	575
Trade and other payables	34	-	523	-	523
Trade and other payables to Group companies	35	-	48	-	48
Long term loans payable to Group companies	32	-	2,765	-	2,765
		-	4,500	-	4,500

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2013

In millions of Malawi Kwacha

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) ; and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

GROUP	Notes	Level 1	Level 2	Level 3	Total
At 31 December 2013					
Government promissory notes	20	-	10,765	-	10,765
At 31 December 2012					
Government promissory notes	20	-	-	-	-
Company					
At 31 December 2013					
Investments in associates	16	-	-	8,074	8,074
Investments in joint ventures	15	-	-	19,010	19.010
Investments in subsidiaries	14	61,307	-	25,542	86,849
		61,307	-	52,626	113,933
At 31 December 2012					
Investments in associates	16	-	-	18,511	18,511
Investments in joint ventures	15	-	-	7,096	7,096
Investments in subsidiaries	14	15,517	-	23,138	38,655
		15,517	-	48,745	64,262

In millions of Malawi Kwacha

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.7 Fair value measurements

Asset	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	2013	2012				
Investment in National Bank of Malawi and Telekom Networks Malawi Limited	61,307	15,517	Level 1	Stock market share prices	N/A	N/A
Investment in Carlsberg Malawi Limited	7,039	7,097	Level 3	Discounted cashflow	Long term revenue growth rate and pre-tax operating margin taking into account management's knowledge of market conditions of the specific industries. Weighted average cost of capital determined using a capital asset pricing model and a discount for lack of marketability determined by reference to the share price of listed entities in similar industries	The higher the revenue growth rate and pre-tax operating margin the higher the fair value. The higher the weighted average cost of capital and the discount the lower the fair value
Investment in Puma and Macsteel	8,074	7,096	Level 3	Discounted cash flow	Long term revenue growth rate and pre-tax operating margin taking into account management's knowledge of market conditions of the specific industries. Weighted average cost of capital determined using a capital asset pricing model and a discount for lack of marketability determined by reference to the share price of listed entities in similar industries	The higher the revenue growth rate and pre-tax operating margin the higher the fair value. The higher the weighted average cost of capital and the discount the lower the fair value

NOTES TO THE
CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2013

In millions of Malawi Kwacha

Asset	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	2013	2012				
Investment in Peoples Trading Centre Limited, Ethanol Company Limited, PressCane Limited, Manzinzi Bay Limited, Press Trading Property Limited.	17,833	14,003	Level 3	Discounted cashflow	Long term revenue growth rate and pre-tax operating margin taking into account management's knowledge of market conditions of the specific industries. Weighted average cost of capital determined using a capital asset pricing model and a discount for lack of marketability determined by reference to the share price of listed entities in similar industries	The higher the revenue growth rate and pre-tax operating margin the higher the fair value. The higher the weighted average cost of capital and the discount the lower the fair value
Investment in Limbe Leaf Tobacco company	11,971	11,414	Level 3	Net asset values of the company	Accounting policies judgements and assumptions for recognition and measurement of asset and liabilities	The more favourable the accounting policies used in a particular economic environment, the higher the fair value.
Investment in Telecom Holdings Limited, The Foods Company Limited and Press Properties Limited	7,709	9,135	Level 3	Net asset values of the company	Accounting policies judgements and assumptions for recognition and measurement of asset and liabilities	The more favourable the accounting policies used in a particular economic environment, the higher the fair value.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2013

In millions of Malawi Kwacha

7. OPERATING SEGMENTS

The Group has five reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's CEO reviews internal management reports on at least a quarterly basis.

The Group recognises five operating industries based on the type of business among its subsidiary, associated companies and joint ventures. These segments are: Financial Services, Telecommunication, Energy, Consumer Goods, and All Other Reportable Segments.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise income earning assets and revenue, interest bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Group's CEO. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis.

The following summary describes the operations in each of the Group's reportable segments:

Industry	% shareholding	Nature of business
Financial Services		
National Bank of Malawi	51.49	Financial Services
Telecommunications		
Telecom Holdings Limited	65.88	Holding company for Malawi
Telecommunications Limited (MTL)		
Telekom Networks Limited	38.86	Mobile Telecommunications
Energy		
Ethanol Company Limited	66.0	Ethanol manufacturer
Presscane Limited	50.1	Ethanol manufacturer
Consumer Goods		
People's Trading Centre Limited	100.0	Supermarket chain
All other Segments		
Press Properties Limited	100.0	Property investment and development
Press Corporation Limited	-	Holding company
The Foods Company Limited	100.0	Manufacturer and distributor of food products
Manzinzi Limited	100.0	Investment property

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2013

In millions of Malawi Kwacha

Industry	% shareholding	Nature of business
Discontinued Operations		
Press Trading (Pty) Limited	100.0	Dormant
Malawi Pharmacies Limited	100.0	Dormant
Equity Accounted Investments		
Associates		
The Bottling and Brewing Group Limited	39.6	Beverage manufacturer and distributor
Limbe Leaf Tobacco Company Limited	42.0	Tobacco processors
Joint Ventures		
Puma Energy Malawi Limited	50.0	Fuel & Oil distributor
Macsteel Malawi Limited	50.0	Steel processors
Discontinued Operations		
Press Trading (Pty) Limited	100.0	Dormant
Malawi Pharmacies Limited	100.0	Dormant

Some operations were discontinued as part of re-organisation and restructuring, others were discontinued after they became unprofitable. The dormant companies shown above are the ones that have been retained for future use as vehicles for new projects. The following dormant companies were deregistered: Press and Shire Clothing Limited, PGI Limited and Hardware and General Dealers Limited.

Jointly Controlled Entities

Two companies, Puma Energy Malawi Limited and Macsteel (Malawi) Limited are 50% owned by the Company and 50% owned by technical partners. These have been equity accounted for in the group accounts and carried at fair value in the separate financials of the Company. This is in compliance with IFRS 11 *Joint arrangements.*

Geographical segment presentation

All operations of the group are in Malawi except for Press Trading (Proprietary) Limited, a dormant company incorporated in South Africa, and therefore geographical segment presentation has not been made.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2013

In millions of Malawi Kwacha

7. OPERATING SEGMENTS (CONTINUED)

2013	Financial services	Telecomm-unication	Energy	Consumer goods	All other segments	Total
Revenue						
Sales	-	605	9,358	29,888	6,011	45,862
Interest income	36,947	-	-	-		36,947
Services	-	38,045	-	-	425	38,470
Total revenues	36,947	38,650	9,358	29,888	6,436	121,279
Inter-group revenue	(1,974)	(1,982)	-	-	(246)	(4,202)
Investment income dividend received from subsidiary companies	-	-	-	-	(3,360)	(3,360)
Revenue from external customers	34,973	36,668	9,358	29,888	2,830	113,717
Segment results						
Operating profits	16,446	7,242	4,192	436	(1,355)	26,961
Net finance (costs)/income	-	(6,548)	693	210	(812)	(6,457)
Share of profit of equity accounted investment	-	-	-	-	5,915	5,915
Income tax expense	(5,740)	(149)	(1,477)	(199)	(1,495)	(9,060)
Gain on sale of discontinued operations, net of tax	-	-	-	-	5	5
Profit for the year	10,706	545	3,408	447	2,258	17,364
Other information						
Capital additions	3,600	6,349	542	414	1,387	12,292
Depreciation and amortisation	1,732	4,437	193	120	226	6,707
Statement of financial position						
Assets						
Non-current assets	45,130	45,709	3,944	754	22,806	118,343
Current assets	128,612	9,126	6,839	4,538	4,639	153,754
Consolidated total assets	173,742	54,835	10,783	5,292	27,445	272,097
Liabilities						
Non-current liabilities	5,565	12,161	745	23	2,740	21,234
Current liabilities	142,938	20,207	2,050	3,133	2,051	170,379
Consolidated total liabilities	148,503	32,368	2,795	3,156	4,791	191,613
Cash flows						
Cash flows from operating activities	40,654	2,978	2,193	63	2,756	48,644
Cash flows investing activities	(22,494)	(2,345)	(350)	(203)	4,669	(20,723)
Cash flows (used in)/ from financing activities	(1,127)	(2,567)	(350)	-	(441)	(4,485)

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2013

In millions of Malawi Kwacha

2012	Financial services	Telecomm-unication	Energy	Consumer goods	All other segments	Total
Revenue						
Sales	-	597	7,075	18,848	4,886	31,406
Interest income	22,901	-	-	-	-	22,901
Services	-	26,121	-	-	219	26,340
Total revenues	22,901	26,718	7,075	18,848	5,105	80,647
Inter-group revenue	(750)	(1,866)	-	-	(95)	(2,711)
Investment income dividend received from subsidiary companies	-	-	-	-	(3,392)	(3,392)
Revenue from external customers	22,151	24,852	7,075	18,848	1,618	74,544
Segment results						
Operating profits	11,005	2,193	3,338	511	(61)	16,986
Net finance (costs)/income	-	(6,781)	223	35	(645)	(7,168)
Share of profit of equity accounted investment	-	-	-	-	3,421	3,421
Income tax expense	(3,418)	941	(929)	(150)	(182)	(3,738)
Gain on sale of discontinued operations, net of tax	-	-	-	-	12	12
Profit for the year	7,587	(3,647)	2,632	396	2,545	9,513
Other information						
Capital additions	2,968	11,247	368	93	1,221	15,897
Depreciation and amortisation	1,232	3,802	241	100	171	5,546
Statement of financial position						
Assets						
Non-current assets	46,595	43,605	3,291	463	14,712	108,666
Current assets	83,016	5,621	4,152	3,884	2,803	99,476
Consolidated total assets	129,611	49,226	7,443	4,347	17,515	208,142
Liabilities						
Non-current liabilities	3,089	14,334	673	4	1,837	19,937
Current liabilities	102,324	20,564	1,591	3,601	1,000	129,080
Consolidated total liabilities	105,413	34,898	2,264	3,605	2,837	149,017
Cash flows						
Cash flows from operating activities	7,982	5,872	2,885	718	(407)	17,050
Cash flows (used in)/ from investing activities	(4,830)	(11,360)	(126)	(47)	6,416	(9,947)
Cash flows (used in)/ from financing activities	1,651	2,534	(212)	-	3,368	7,341

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2013

In millions of Malawi Kwacha

8. DISCONTINUED OPERATION

	Group	
	2013	2012
Results from discontinued operations		
Revenue	11	28
Expenses	(6)	(16)
Profit for the year net of tax	5	12
Basic earnings per share (MK)	1	1
Diluted earnings per share (MK)	1	1
Cash flows from discontinued operation		
Net cash from operating activities	5	12

9. PROPERTY, PLANT AND EQUIPMENT

GROUP	Land and buildings	Plant, furniture & equipment	Motor vehicles	Capital work in progress	Total
Cost or valuation					
Balance at 1 January 2013	21,694	53,016	4,523	6,556	85,789
Additions	607	3,013	1,485	4,084	9,189
Disposals	(129)	(1,011)	(374)	-	(1,514)
Transfers between classes	539	3,572	363	(4,474)	-
Transfer to other reporting categories	-	-	(2)	(53)	(55)
Impairment	-	(321)		-	(321)
Surplus on revaluation	1,324	-	-	-	1,324
Balance at 31 December 2013	24,035	58,269	5,995	6,113	94,412
Balance at 1 January 2012	15,861	41,888	4,480	3,590	65,819
Acquisition through business combinations	57	648	119	-	824
Additions	906	1,536	1,085	12,370	15,897
Disposals	(29)	(198)	(1,161)	-	(1,388)
Transfers between classes	180	8,824	-	(9,004)	-
Transfer to other reporting categories	33	-	-	(398)	(365)
Impairment	838	-	-	(2)	836
Surplus on revaluation	3,848	318	-	-	4,166
Balance at 31 December 2012	21,694	53,016	4,523	6,556	85,789

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2013

In millions of Malawi Kwacha

	Land and buildings	Plant, furniture & equipment	Motor vehicles	Capital work in progress	Total
Accumulated depreciation and impairment losses					
Balance at 1 January 2013	555	19,047	2,413	-	22,015
Depreciation charge for the year	353	5,007	1,087	-	6,447
Eliminated on revaluation	(482)	-	-	-	(482)
Impairment	48	(138)	-	-	(90)
Released on disposal	(1)	(992)	(282)	-	(1,275)
Reclassification to other reporting categories	(4)	4	-	-	-
Revaluation increase	(409)	-	-	-	(409)
Balance at 31 December 2013	60	22,928	3,218	-	26,206
Balance at 1 January 2012	563	14,595	2,210	-	17,368
Accumulated depreciation on acquisition of subsidiary	32	378	64	-	474
Depreciation charge for the year	269	4,261	1,016	-	5,546
Eliminated on revaluation	(305)	(17)	-	-	(322)
Released on disposal	(4)	(170)	(877)	-	(1,051)
Balance at 31 December 2012	555	19,047	2,413	-	22,015
Carrying amounts					
At 31 December 2013	23,975	34,978	2,776	6,478	68,206
At 31 December 2012	21,139	33,969	2,110	6,556	63,774

COMPANY

	Land and buildings	Plant, furniture & equipment	Motor vehicles	Capital work in progress	Total
Cost or valuation					
Balance at 1 January 2013	371	548	124		1,043
Additions	81	-	78		159
Disposals	-	(9)	(34)		(43)
Balance at 31 December 2013	452	539	168		1,159
Balance at 1 January 2012	205	179	159		543
Additions	166	384	3		553
Disposals	-	(15)	(38)		(53)
Balance at 31 December 2012	371	548	124		1,043
Accumulated depreciation and impairment losses					
Balance at 1 January 2013	-	119	82		201
Depreciation charge for the year	-	72	46		118
Released on disposal	-	(7)	(27)		(34)
Balance at 31 December 2013	-	184	101		285
Balance at 1 January 2012	-	97	90		187
Depreciation charge for the year	-	29	19		48
Released on disposal	-	(7)	(27)		(34)
Balance at 31 December 2012	-	119	82		201
Carrying amounts					
At 31 December 2013	452	355	67		874
At 31 December 2012	371	429	42		842

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2013

In millions of Malawi Kwacha

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Registers of land and buildings giving details required under the Companies Act 1984, Schedule 3, Section 16, are maintained at the respective registered offices of each company within the Group and are open for inspection by members or their duly authorised agents.

The Group's land and buildings are stated at their revalued amounts being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent impairment losses. The fair values measurements of the Group's land buildings were performed by quantified valuers as detailed below. There has been no change in the valuation technique this year.

Certain land and buildings for Press Properties were professionally and independently revalued by Don Whayo, B.Sc. (Est. Man), Dip. (Urb Man), B.A., MRICS, MSIM a chartered valuation surveyor with Knight Frank (Malawi) Limited at 31 December 2013 on an open market value basis.

Land and buildings relating to the banking business were fair valued as at 31 December 2013 Knight Frank, qualified independent valuers. The valuation of the Business Centre and Office Complex resulted in an increase in carrying value of K388m. The valuation of the Bank's other properties resulted in an increase in fair value of MK19m. Out of the K1,304m total revaluation surplus, K406m was credited to the statement of comprehensive income to reverse decreases in fair values previously charged to the statement of comprehensive income and the balance of MK898m was credited to the revaluation reserve through the statement of other comprehensive income. The basis of the valuations was current market value.

Land and buildings relating to Malawi Telecommunications Limited were revalued as at 31 December 2012 by Simeon D. Banda B.Sc. (Hons) MSIM MRICS Chartered Quantity Surveyor of SFS Property Consultants in association with Sam M. Nhlane (Hons) Lond., MSIM Registered Valuation Surveyor of SMN Property Professionals. Valuations were carried out on the basis of open market value.

Freehold land and buildings relating to the Foods Company Limited as at 31 December 2013 were performed by Simeon Banda, B Sc. (Hons), MRICS, MSIM, and Samuel Nhlane B.Sc. (Hons), MSIM, a Chartered Valuation Surveyor of SFS Property Consultants in association with SMN Property Professional and Independent Registered Valuation Surveyor who is not related to the company.

Fishing vessels belonging to The Foods Company Limited, included under plant, furniture and equipment were revalued on depreciated replacement cost basis as at 31 December 2012 by O. E. Singini M.Sc. (Shipping Management Tech).

Capital work in progress

Capital work in progress for Press Properties represents costs incurred in the Area 9 Housing Project which is not yet completed.

Details of the Groups information about the properties fair value hierarchy as at 31 December 2013 are as follows:

	Fair value hierarchy			Fair value as at
	Level 1	Level 2	Level 3	31/12/2013
Land and buildings	-	23,975	-	23,975

There were no transfers between Level 1 and Level 2 and Level 3. The fair value of the lands and buildings was determined using transaction prices of similar properties and, in the absence of that information, discounted value of rents for similar properties.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2013

In millions of Malawi Kwacha

10. BIOLOGICAL ASSETS

	Group	
	2013	2012
Balance at 1 January	97	75
Increase due to acquisition	2	-
Increase due to birth	174	218
Decrease due to sales	(89)	(108)
Decrease due to death and changes in fair value	(136)	(88)
Balance at 31 December	48	97
Non-current biological assets	12	17
Current biological assets	36	80
Balance at 31 December	48	97

As at 31 December 2013, and 2012, biological assets held for sale comprised of fish and fingerlings.

In determining the value of fish, the following procedures are used:

- The company estimates the weight of the fish that is in cages or ponds through sampling. This estimate is used to come up with the projected harvest, which takes into account a factor of mortality.
- The projected harvest is valued using average selling price based on fish categories.
- The cost to harvest is estimated and this includes cost of feed, both starter and grower and all direct costs to be incurred to produce the fish.
- The value of the fish is then the difference between the value of projected harvest and the costs to be incurred to harvest.

Assumptions

- Average weight per fish – Average harvest weight achieved during the year is used as basis for calculating biomass.
- Mortality – Mortality for cages is assumed at 85% and for the ponds assumed at 70% based on experience and history.
- Average selling price – Current selling price based on fish categories as per harvest records.

Details of the company's land and buildings and information about fair value hierarchy as at 31 December 2013 are as follows:

	Level 1	Level 2	Level 3	Fair value as at 31/12/2013
Fish stocks	-	48,672	-	48,672

There were no transfers between Level 1 and Level 2 during the year.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2013

In millions of Malawi Kwacha

11. GOODWILL

	Group	
	2013	2012
Opening balance	427	-
Total consideration transferred	-	602
Fair value of existing interest in acquiree	-	602
Less fair value of identifiable net assets	-	(777)
	427	427

-

12. INTANGIBLE ASSETS

GROUP	Computer Software	Development Costs Software Upgrades	Work in Progress	Total
Cost				
2013				
Balance at 1 January 2013	4,046	326	905	5,277
Acquisition during the year	1,660	-	930	2,590
Balance at 31 December 2013	5,706	326	1,835	7,867
2012				
Balance at 1 January 2012	3,005	326	305	3,636
Acquisition during the year	1,041	-	600	1,641
Balance at 31 December 2012	4,046	326	905	5,277
Accumulated amortisation and impairment losses				
2013				
Balance at 1 January 2013	1,421	238	-	1,659
Amortisation charge for the year	508	2	-	510
Balance at 31 December 2013	1,929	240	-	2,169
2012				
Balance at 1 January 2012	1,043	238	-	1,281
Amortisation charge for the year	378	-	-	378
Balance at 31 December 2012	1,421	238	-	1,659
Carrying amounts				
At 31 December 2013	3,777	86	1,835	5,698
At 31 December 2012	2,625	88	905	3,618

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2013

In millions of Malawi Kwacha

COMPANY	2013			2012
	Computer Software	Work in Progress	Total	
Cost				
Balance at 1 January	266	5	271	60
Additions during the year	142	124	266	206
Balance at 31 December	408	129	537	266
Accumulated amortisation and impairment				
Balance at 1 January	12	-	12	2
Amortisation charge for the year	23	-	23	10
Balance at 31 December	35	-	35	12
Carrying amounts	373	129	502	254

Work in progress comprises the costs related to the SAP Business Objects Software Project.

13. INVESTMENT PROPERTIES

	Freehold land and buildings	Leasehold land and buildings	Undeveloped freehold land	Undeveloped leasehold land	Total
GROUP					
Balance at 1 January 2013	1,862	1,431	297	1	3,591
Additions during the year	2	53			55
Disposals	(540)	(19)	-	-	(559)
Surplus on revaluation	131	78	-		209
Reclassification as held for sale	-	(200)	-	-	(200)
Balance at 31 December 2013	1,455	1,343	297	1	3,096
Balance at 1 January 2012	1,510	1,088	270	1	2,869
Additions during the year	-	16	-	-	16
Disposals	-	-	(27)	-	(27)
Surplus on revaluation	352	337	54	-	743
Reclassification to PPE	-	(10)	-	-	(10)
Balance at 31 December 2012	1,862	1,431	297	1	3,591

Investment properties relating to Press Properties were professionally and independently revalued by Don Whayo, B.Sc. (Est. Man), Dip.(Urb Man), B.A., MRICS, MSIM, a chartered valuation surveyor with Knight Frank (Malawi) Limited at 31 December 2013 on an open market value basis.

Registers of land and buildings giving details required under the Companies Act 1984, Schedule 3, Section 16, are maintained at the respective registered offices of each company within the Group and are open for inspection by members or their duly authorised agents.

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2013 are as follow:

	Level 1	Level 2	Level 3	Fair value as at 31/12/2013
Investment properties	-	3,096	-	3,096

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2013

In millions of Malawi Kwacha

14. INVESTMENTS IN SUBSIDIARIES

	Company	
	2013	2012
Balance at 1 January	38,655	28,217
Acquisition and reclassification of TNM shares	2,579	935
Increase in fair value and other additions	45,615	9,503
Balance at 31 December	86,849	38,655

The investments are analysed as follows:

	2013		2012	
	Fair value/cost (PCL Share)	Dividend received	Fair value/cost (PCL Share)	Dividend received
National Bank of Malawi	51,695	2,522	13,248	1,851
Press Properties Limited	3,946	-	3,869	-
Manzinzi Bay Limited	2	-	2	-
The Foods Company Limited	566	-	1,715	-
Ethanol Company Limited	8,110	532	5,638	305
PressCane Limited	5,436	-	6,958	-
Telecom Holdings Limited	3,197	-	3,551	-
Telecom Networks Malawi Limited	9,612	305	2,269	74
Peoples Trading Centre Limited	4,266	-	1,386	225
Press Trading (Proprietary) Limited	19	-	19	-
	86,849	3,359	38,655	2,455

Investments in subsidiaries were independently valued by KPMG, Certified Public Accountants on behalf of the Directors as at 31st December 2013 (2012: Ernst and Young). Discounted cash flow valuation method was used for unlisted investments except for Press Properties Limited, the Foods Company Limited and Telecom Holdings Malawi Limited which were valued using net assets valuation method. Telekom Networks Malawi Limited and National Bank of Malawi are listed on the Malawi Stock Exchange and are quoted at market values and were valued at stock market prices.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2013

In millions of Malawi Kwacha

Summarised below is financial information of subsidiaries with material non-controlling interest before elimination of intercompany transactions:

	NBM		TNM		THL		Ethanol		PressCane	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Non-current assets	47,887	47,431	19,681	19,725	26,029	23,880	2,145	1,628	1,798	1,662
Current assets	137,415	86,079	4,953	3,702	4,670	3,663	2,768	1,420	4,470	2,993
Total assets	185,302	133,510	24,634	23,427	30,699	27,543	4,913	3,048	6,268	4,655
Non-current liabilities	5,565	3,089	1,792	3,211	11,432	11,232	475	396	269	277
Current liabilities	147,573	109,174	12,928	11,997	13,105	9,644	885	460	1,108	1,029
Total liabilities	153,138	112,263	14,720	15,208	24,537	20,876	1,360	856	1,377	1,306
Revenue	25,008	12,270	28,874	18,041	9,878	8,677	4,418	2,915	4,940	4,160
Profit/(loss) after tax	12,706	7,587	2,599	692	(2,578)	(4,339)	1,865	1,225	1,542	1,468
Other comprehensive income	2,788	1,873	-	-	226	1,705	298	-	-	-
Total comprehensive income	15,494	9,460	2,599	692	(2,352)	(2,634)	2,163	1,225	1,542	1,468
Dividends declared	4,898	3,595	904	703	-	-	800	458	-	-
Minority interest share	48.51%	48.51%	61.14%	66.07%	34.12%	37.37%	34.00%	34.00%	49.90%	49.90%
Dividends paid to minority interests	2,376	1,744	598	464	-	-	268	156	-	-
Equity attributable to owners of the company	32,117	21,521	9,914	8,218	6,165	6,200	3,553	2,189	4,891	3,349
Non-controlling interest	46	46	-	-	(3)	467	-	-	-	-
Profit attributable to owners of the company	12,678	7,560	2,599	692	(2,063)	(3,532)	1,865	1,219	1,542	1,468
Profit attributable to non-controlling interest	28	28	-	-	(516)	(807)	-	-	-	-
Net cash flows from operating activities	46	17	3,822	4,839	556	825	1,323	720	(322)	999
Net cash flows from investing activities	(16)	(2)	(2,818)	(7,975)	472	(2,652)	(252)	(303)	178	17
Net cash flows from financing activities	1	-	(2,011)	(93)	(556)	1,998	-	-	(98)	(511)
Net cash inflow/outflow	31	15	(1,007)	(3,229)	472	171	1,071	417	(242)	505

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2013

In millions of Malawi Kwacha

15. INVESTMENTS IN JOINT VENTURES

	Group		Company	
	2013	2012	2013	2012
Balance at 1 January	2,586	6,014	7,096	14,574
(Decrease)/increase in fair value	-	-	978	1,026
Disposal of shares in BBGL	-	(685)		(912)
Reclassification to other reporting categories	-	(2,930)	-	(7,592)
Share of profit	894	612	-	-
Dividends	(2,268)	(425)	-	-
Balance at 31 December	1,212	2,586	8,074	7,096

	2013		2012	
	Fair value (PCL share)	Dividend received	Fair value (PCL share)	Dividend received
Puma Energy Malawi Limited	7,111	2,250	6,403	400
Macsteel Limited	963	18	693	25
	8,074	2,268	7,096	425

Investments in joint ventures were independently valued by KPMG, Certified Public Accountants (2012: Ernst and Young) on behalf of the Directors at 31 December 2013 using discounted cash flow valuation method in the separate financial statements of the company.

In the consolidated financial statements, the joint ventures were equity accounted.

GROUP	PUMA		MACSTEEL	
	2013	2012	2013	2012
Non –current assets	5,941	5,114	1,071	1,055
Current assets	9,634	6,595	2,644	1,023
Total Assets	15,575	11,709	3,715	2,078
Non-current liabilities	427	599	261	279
Current liabilities	13,086	7,170	2,204	708
Total liabilities	13,513	7,769	2,465	987
Revenue	82,266	54,016	4,226	2,239
Profit/(loss) from continuing operations	2,891	1,146	191	79
Other comprehensive income	-	1,202	-	334
Total comprehensive income	2,891	2,348	191	413
Cash and cash equivalents	1,921	1,340	107	37
Non-current financial liabilities (excluding trade and other payables and provisions)	-	12	-	-
Current financial liabilities (excluding trade and other payables and provisions)	12,256	5,516	48	112
Depreciation and amortisation	(386)	(340)	(29)	(12)
Interest income	315	102	1	1
Interest expenses	(19)	(20)	(78)	(48)
Foreign exchange loss	(38)	(1,199)	-	-
Income tax expenses	(1,257)	(468)	(84)	(45)
Dividends received	-	400	-	25

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2013

In millions of Malawi Kwacha

16. INVESTMENT IN ASSOCIATES

	Group		Company	
	2013	2012	2013	2012
a) Investment at the year end				
Limbe Leaf Tobacco Company	8,855	3,386	11,971	11,413
BBGL	3,855	2,942	7,039	7,098
Total	12,710	6,328	19,010	18,511
b) Movement during the year				
At beginning of the year	6,328	1,448	18,511	4,015
Reclassification – BBGL	-	2,582	-	6,680
Share of profits	7,306	2,809	-	-
Dividend	(924)	(511)	-	-
Increase in fair value recognised in other comprehensive income	-	-	499	7,816
At end of the year	12,710	6,328	19,010	18,511

The company has a **42%** (2012:42%) equity interest in Limbe Leaf Tobacco Company Limited.

Investments in associates were independently valued by KPMG, Certified Public Accountants, on behalf of the directors as at 31 December 2013 (2012: Ernst and Young) in the company financial statements.

However, at group level, these were accounted for using the equity method.

Summarised below is the financial information of the associates as at 31 December 2013 and for the year then ended:

	LLTC		BBGL	
	2013	2012	2013	2012
Non-current assets	20,159	10,814	14,387	15,043
Current assets	33,734	30,545	16,291	10,393
Total assets	53,893	41,359	30,678	25,436
Non-current liabilities	13,254	-	1,735	2,457
Current liabilities	12,138	13,278	16,815	10,945
Total liabilities	25,392	13,278	18,550	13,402
Revenue	73,365	53,079	40,680	28,698
Profit from continuing operations	3,927	5,831	4,887	1,009
Cash and cash equivalents	618	428	246	845
Non-current financial liabilities (excluding trade and other payables and provision)	2,575	9,716	1,735	912
Current financial liabilities (excluding trade and other payables and provision)	-	9,362	9,281	5,733
Dividends received	751	511	-	-

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2013

In millions of Malawi Kwacha

17. LOANS AND ADVANCES TO CUSTOMERS

	2013	2012
Gross loans and advances to customers	51,832	49,485
Allowance for impairment losses	(1,428)	(950)
Net loans and advances	50,404	48,535
Gross loans and advances are due to mature as follows:		
- Within three months	21,927	16,016
- Between three months and one year	12,225	14,229
- After one year	16,252	19,240
	50,404	49,485
Net loans are split into:		
Long term loans	16,252	19,240
Short term loans	34,152	29,295
	50,404	48,535
Movement of allowance for impairment losses		
At the beginning of the year	950	370
Charged during the year	977	908
Recoveries on expunged debts	(381)	(310)
Recovered during the year	(108)	(18)
Balance at the end of the year	1,438	950
Analysis of gross loans and advances by sector:		
- Wholesale and retail	14,971	20,678
- Others	2,410	15,271
- Personal accounts	6,457	745
- Agriculture	10,434	6,713
- Manufacturing	13,738	5,255
- Finance and insurance	2,931	1,044
	50,941	49,706
Provision for impairment of interest from impaired loans and advances	(537)	(221)
	50,404	49,485
Movement of provision for impairment of interest from impaired loans and advances		
At the beginning of the year	221	160
Applied against advances	(408)	(510)
Suspended during the year	752	587
Recovered during the year	(28)	(16)
At the end of the year	537	221

	GROUP	
	2013	2012
Analysis of recoveries		
Specific provisions	108	18
Interest in suspense	28	16
Debts previously written off	376	220
Transferred to profit or loss	512	254
Analysis of gross loans by currency		
Malawi Kwacha denominated	36,624	46,231
United States dollar denominated	13,780	3,254
	50,404	49,485

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2013

In millions of Malawi Kwacha

18. FINANCE LEASE RECEIVABLES

	Group 2013	Group 2012	Company 2013	Company 2012
Gross investment – finance lease receivables	7,236	7,173		
Unearned finance income on finance leases	(2,301)	(2,394)		
	4,935	4,779		
Specific allowance for impairment	(90)	(9)		
Net investment in finance leases	4,845	4,770		
The net investment in finance leases matures as follows:				
- Within three months	87	46		
- Between three months and one year	625	464		
Total within one year	712	510		
- After one year and not later than five years	4,133	4,260		

The base lending rate for Group's banking subsidiary as at 31 December 2012 was 40% (2012: 35.0%) and the US Dollar denominated loans were given at an average interest rate of 8.8% (2012: 8.6%). The finance lease receivables are secured by the leased assets.

The Group's credit risk is primarily attributed to overdraft and other loan facilities extended to its customers. The amounts presented in the statement of financial position are net of provisions for impairment allowances as shown above. The specific allowance for impairment represents allowances for estimated irrecoverable amounts when there is objective evidence that the asset is impaired.

19. LOANS RECEIVABLES FROM GROUP COMPANIES

	Group 2013	Group 2012	Company 2013	Company 2012
The Foods Company limited			-	202
Telecom Holdings Limited			4	4
National Poultry			1	1
			5	207
Summary of inter-company loans				
Movement during the year was as follows:				
Balance at 1 January			207	4
Loans granted during the year			202	203
Provision for impairment			(404)	-
Balance at 31 December			5	207

The loans are unsecured and payable within five years.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2013

In millions of Malawi Kwacha

20. OTHER INVESTMENTS

	Group 2013	Group 2012 Restated	Company 2013	Company 2012
Total other investments are due to mature as follows:				
i) Long term investments				
- Non – maturing investments	-	-	-	304
- Between one year and five years	1,669	3,553	-	-
	1,669	3,553	-	304
ii) Current investments				
- Between three months and one year	25,763	3,356	-	-
- Within three months	6,579	8,467	-	-
	32,342	11,823	-	-
Total other investments	34,011	15,376	-	304
Movement				
Opening balance	15,376	12,830	304	-
Additions	29,990	5,342		-
Disposals	(11,355)	(2,796)		-
Other movements	-	-	(304)	304
Closing balance	34,011	15,376	-	304
Comprises of the following:				
Government of Malawi and Reserve Bank of Malawi Bills	8,209	7,801	-	-
Money market deposits	13,039	6,125	-	-
Government of Malawi Local Registered Stock	-	372	-	-
Government of Malawi promissory note	10,765	-		
PCL motor fund	-	304	-	304
Other	1,998	774	-	-
Total investments	34,011	15,376	-	304

	Average interest rate		Group 2013	Group 2012
(a) Government of Malawi and Reserve Bank of Malawi bills				
Government of Malawi Treasury Bills	23.6%	16.8 %	8,209	7,801
The bills are due to mature as follows:				
- Within three months			2,152	1,238
- Over one year			4,809	3,355
- Between three months and one year			1,248	3,208
			8,209	7,801

Government of Malawi and Reserve Bank of Malawi bills are denominated in Malawi Kwacha

(b) Money market deposits

Balances with discount houses	28%	28%	13,039	6,125
			13,039	6,125

Money market deposits are denominated in Malawi Kwacha

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2013

In millions of Malawi Kwacha

	Average interest rate		Group	
	2013	2012	2013	2012
(c) Government of Malawi Local Registered Stocks				
Government of Malawi Local Registered Stocks	-	15.5%	-	372
The stocks are due to mature as follows:				
- Within three months			-	372
- Between three months and one year			-	-
- Between one and five years			-	-
			-	372

Governments of Malawi Local Registered Stocks are denominated in Malawi Kwacha.

	Interest rate			
	2013	2012	2013	2012
(d) Government promissory notes	91 day			
Government promissory notes	treasury	-	10,765	-
	bill rate			
The stocks are due to mature as follows:	plus			
- Within three months	2%	-	1,058	-
- Between three months and one year		-	3,175	-
- Between one and five years		-	6,532	-
		-	10,765	-

Reserve Bank of Malawi Bonds are denominated in Malawi Kwacha.

During the year, in February 2013, the Government of Malawi issued promissory notes to settle its exposure and several other Government Guaranteed loans, including interest. The total exposure of National Bank of Malawi to these Government Guarantee loans as at 1 February 2013 was MK16.9 billion. The Bank accepted the promissory notes to settle the Government Guaranteed loans effective 1 February 2013. The promissory notes are in blocks with the longest certificate maturing in 2016. The notes attract interest at the rate of the earliest 91 day Treasury bill yield during each quarter plus 2%. MK4,143m has been recognised in the statement of comprehensive income. The Bank sold off the certificate maturing in 2017 representing 25% of the whole investment. This meant that the whole portfolio has to be disclosed as an available for sale asset. The face value of the closing book was MK10,582m. The investment has been presented at fair value.The fair have has been determined by computing the net present value of the future cash flows using the effective interest rate method. This fair value presentation resulted in a MK183m increase in value when compared with the face value. The surplus has been recognised in other comprehensive income.

Government's promissory notes are denominated in Malawi Kwacha.

The financial assets are held to maturity, available for sale financial assets and loans carried at amortised cost

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2013

In millions of Malawi Kwacha

21. DEFERRED TAX ASSETS/(LIABILITIES)

	Assets		Liabilities		Net	
	2013	2012 Restated	2013	2012 Restated	2013	2012 Restated
GROUP						
Property, plant and equipment	337	313	(1,029)	(3,256)	(692)	(2,943)
Investment properties	-	-	(795)	(900)	(795)	(900)
Provisions	443	368	-	67	443	435
Other items	4,051	461	(1,637)	1,175	2,414	1,636
Tax value of loss carried forward	97	130	-	66	97	196
Tax assets/(liabilities)	4,928	1,272	(3,461)	(2,848)	1,467	(1,576)
COMPANY						
Property and investments in subsidiaries and associates	-	-	(23,976)	(9,603)	(23,976)	(9,603)

	Opening balance Restated	Recognised in profit and loss	Recognised in other comprehensive income	Closing balance
GROUP				
2013				
Property, plant and equipment	(2,943)	132	2,119	(692)
Investment properties	(900)	105	-	(795)
Provisions	435	8	-	443
Other items	1,636	778	-	2,414
Tax value or loss carried forward	196	(99)	-	97
Total liabilities	(1,576)	924	2,119	1,467
2012				
Property, plant and equipment	(2,117)	(831)	5	(2,943)
Investment properties	(708)	(192)	-	(900)
Provisions	161	274	-	435
Other items	(396)	2,025	7	1,636
Tax value or loss carried forward	35	161	-	196
Total liabilities	(3,025)	1,437	12	(1,576)

	Opening balance	Recognised in other comprehensive income	Closing balance
COMPANY			
Movement of net deferred tax liabilities is as follows:-			
2013			
Investment in subsidiaries and associates	(9,551)	(14,373)	(23,924)
Property	(52)	-	(52)
	(9,603)	(14,373)	(23,976)
2012			
Investment in subsidiaries and associates	(9773)	222	(9,551)
Property	(52)	-	(52)
	(9,825)	222	(9,603)

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2013

In millions of Malawi Kwacha

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following:

	Group		Company	
	2013	2012	2013	2012
Tax losses	4,202	6,410	2,595	6,410

Deferred tax assets have not been recognised in respect of these tax losses because it is not probable that future taxable profit will be available against which the company can utilise the benefits therefrom. Tax losses expire after six years. These losses relate to PCL Company MK2,595m. THL has not recognise MK1,607m deferred tax asset relating to its investment in MTL as it is not probable that the asset will be utilised due to the losses being incurred by MTL.

22. INVENTORIES

	Group		Company	
	2013	2012	2013	2012
Finished goods	4,984	4,631	7	6
Raw materials and consumables	1,419	821	-	7
Work in progress	33	2	-	-
Goods in transit	125	181	-	-
	6,561	5,635	7	13

23. TRADE AND OTHER RECEIVABLES FROM GROUP COMPANIES

Amounts due from related party companies

	Group 2013	Group 2012	Company 2013	Company 2012
Press Properties Limited	-	-	7	4
Telecom Holdings Limited	-	-	60	13
PressCane Limited	-	-	-	2
Telecom networks	-	-	97	-
Peoples Trading Centre	-	-	11	-
Ethanol Company Limited	-	-	1	1
The Foods Company Limited	-	-	-	80
National Bank	-	-	722	-
Puma	-	-	-	1
Other	-	-	-	4
	-	-	898	105

24. TRADE AND OTHER RECEIVABLES (OTHER)

	Group			Company	
	31/12/13	31/12/12 Restated	01/01/12 Restated	31/12/13	31/12/12
Trade receivables	5,640	2,935	2,535	18	-
Prepayments	1,195	1,081	798	23	55
Letters of credit	10,286	7,637	1,198	-	-
Other receivables	4,782	6,860	4,344	445	103
	21,903	18,513	8,875	486	158
Provision for potential loss on other receivables	(516)	(415)	(650)	(46)	-
	21,387	18,098	8,225	440	158

The prior year placements in other banks amounting to **MK19,347 million** (2011: MK8,753 million) have been reclassified to cash and cash equivalents.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2013

In millions of Malawi Kwacha

	Group		Company	
	2013	2012	2013	2012

25. ASSETS CLASSIFIED AS HELD FOR SALE

	Group 2013	Group 2012	Company 2013	Company 2012
PProperty				
Cost	200	-	-	-
Accumulated depreciation	-	-	-	-
	200	-	-	-

26. INCOME TAX RECOVERABLE

	Group 2013	Group 2012	Company 2013	Company 2012
Opening balance	214	140	17	-
Current credit	23	-	23	-
Cash paid (received)	84	127	-	-
Prior period charge	13	(2)	-	-
Tax transfer	8	(51)	-	-
Total income tax recoverable	342	214	40	-

27. CASH AND CASH EQUIVALENTS

	Group				
	31/12/13	31/12/12 Restated	01/01/12 Restated	31/12/13	31/12/12
Reserve Bank of Malawi	12,233	3,738	4,757	-	-
Bank balances	733	1,282	883	7	7
Placement with other banks	33,785	19,347	8,753	-	-
Call deposits	4,633	4,341	1,981	484	467
Cash on hand	6,638	5,113	3,426	-	-
Cash and cash equivalents	58,022	33,821	19,800	491	474
Bank overdrafts	(3,035)	(2,270)	(2,693)	(589)	(109)
Cash and cash equivalents as shown in the statement of cash flows	54,987	31,551	17,107	(98)	365

The prior year placements in other banks amounting to MK19,347 million (2011: MK8,753 million) have been reclassified from Trade and other receivables to cash and cash equivalents. These are short-term interesting earning deposits made by National Bank of Malawi with other banks.

Balances held at Reserve Bank of Malawi are non-interest bearing and are regulated as disclosed in Note 5.

The Company has banking facilities of MK400 million (2012: MK400 million) due for renewal on 30 November 2014. This is an unsecured facility.

28. SHARE CAPITAL

	Group and Company	
	2013	2012
Authorised ordinary share capital		
- Number (millions)	2,500	2,500
- Nominal value per share (MK)	0.01	0.01
- Nominal value (MK million)	25	25
Issued and fully paid		
- Number (millions)	1	1
- Nominal value (K million)	1	1

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2013

In millions of Malawi Kwacha

29. OTHER RESERVES – EXCLUDING NON-CONTROLLING INTERESTS

	Revaluation reserve	Translation reserve	Loan loss reserve	Other	Total
GROUP					
2013					
Balance at beginning of the year	12,169	161	662	21	13,013
Foreign currency translation difference	-	(4)	-	-	(4)
Revaluation of property	1,233	-	-	-	1,233
Transfer to loan loss reserve	-	-	(662)	-	(662)
Depreciation Transfer land and buildings	(165)	-	-	-	(165)
Reversal of accumulated depreciation	-	-	-	-	-
Release of revaluation surplus on disposal of PPE	(11)				(11)
Net change in fair value of available for sale financial asset	-	-	-	95	95
Amortisation of goodwill on acquisition of a subsidiary	-	-	-	-	-
Release of revaluation surplus investment property	-	-	-	-	-
Share of equity accounted investments translation reserves	-	3,796	-	-	3,796
Income tax on other comprehensive income	1,282	-	-	-	1,282
Balance at 31 December 2013	14,508	3,953	-	116	18,577
GROUP					
2012					
Balance at beginning of the year	8,633	109	496	21	9,259
Foreign currency translation difference	-	52	-	-	52
Revaluation of property	3,985	-	-	-	3,985
Transfer to loan loss reserve	-	-	166	-	166
Depreciation Transfer land and buildings	(54)	-	-	-	(54)
Reversal of accumulated depreciation	(469)	-	-	-	(469)
Release of revaluation surplus on disposal of PPE	(266)	-	-	-	(266)
Re-measurement to fair value of pre-existing interest in acquire	(254)	-	-	-	(254)
Goodwill on acquisition of a subsidiary	427	-	-	-	427
Release of revaluation surplus investment property	34	-	-	-	34
Income tax on other comprehensive income	133	-	-	-	133
Balance at 31 December 2012	12,169	161	662	21	13,013
COMPANY					
2013					
Balance at 1 January 2013	49,863	110	-	-	49,973
Fair value gain on investments	46,385	-	-	-	46,385
Deferred tax on revaluation	(14,373)	-	-	-	(14,373)
Balance at 31 December 2013	81,875	110	-	-	81,985
2012					
Balance at 1 January 2012	32,161	110	-	-	32,271
Fair value gain on investments	17,480	-	-	-	17,480
Deferred tax on revaluation	222	-	-	-	222
Balance at 31 December 2012	49,863	110	-	-	49,973

Revaluation reserve

For group, the revaluation reserve relates to revaluation of property whereas for company only, the revaluation reserve relates to revaluation of property and investments in subsidiaries, associates and joint ventures and comprises cumulative increase in the fair value at the date of valuation. These reserves are not distributable to shareholders until the relevant revalued assets have been disposed of or, in the instance of revalued property, when consumed through use.

In millions of Malawi Kwacha

29. OTHER RESERVES EXCLUDING NON-CONTROLLING INTEREST (CONTINUED)

Translation reserves
The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

Loan loss reserve
This relates to excess of provisions for impairment losses as required by the Reserve Bank of Malawi which are above the impairment loss allowed by IAS 39. In line with the RBM directive Financial Services (Financial Asset Classification of Banks" Directive 2012 the loan loss reserve is no longer required hence zero balance as at 31 December 2013

Other reserves
The other reserves for the group comprise capital redemption reserve and capital profits.

30. LOANS AND BORROWINGS

GROUP	Secured	Unsecured	Total
2013			
Terms and debt repayment schedules			
More than 5 years	-	90	90
Due between 1 and 5 years	10,957	6,259	17,216
	10,957	6,349	17,306
Due within 1 year or less	4,791	5,245	10,036
	15,748	11,594	27,342
2012			
Terms and debt repayment schedules			
More than 5 years	1,540	152	1,692
Due between 1 and 5 years	10,326	4,983	15,309
	11,866	5,135	17,001
Due within 1 year or less	3,409	4,081	7,490
	15,275	9,216	24,491
COMPANY			
2013			
Terms and debt repayment schedules			
Due between 1 and 5 years	80	-	80
Due within 1 year or less	-	495	495
	80	495	575
2012			
Terms and debt repayment schedules			
Due between 1 and 5 years	381	-	381
Due within 1 year or less	753	-	753
	1,134	-	1,134

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2013

In millions of Malawi Kwacha

	At 01/01/13	Draw-downs	Re-payments	Exchange fluctuations	Interest accrual	At 31/12/13
GROUP						
Movement in borrowings						
Local borrowings						
Belgium Government	87	-	-	-	5	92
Continental Discount House Limited	166	550	(552)	-	-	164
DANIDA loan	644	-	-	-	21	665
FDH Bank Limited	23	-	-	-	23	46
FDH Bank Limited	-	55	(27)			28
FMB – MWK Loan	48	-	(20)	-	-	28
FMB – USD	188		(77)	46	-	157
FMB – USD Loan	564	-	(231)	138	-	471
FMB – USD Loan	527	-	(216)	129	-	440
Kuwait Development Fund	894	-	-	-	77	971
Malawi Government	2	-	-	-	-	2
NBS Bank Limited	19	-	(1)	-	-	18
NBS Bank Limited	19		(11)			8
NBS Bank Limited	10	-	(10)	-	-	-
NBS Bank Limited	60	-	(60)	-	-	-
NORDIC Development Fund	840	-	-	-	63	903
Leasing and Finance Company	7	-	-	-	-	7
Standard Bank – USD Loan	6,274		(3,561)	-	-	2,713
Standard Bank – MK Loan	-	80	-	-	-	80
Standard Bank – MK Loan	606	-	(158)	-	-	448
Total local borrowings	10,978	685	(4,924)	313	189	7,241
Foreign borrowings						
Development Bank of South Africa	1,115	-	(858)	230		487
Libyan Government	110	-	-	34	-	144
ZTE Vendor financing	1,775	-	-	544	-	2,319
Nederlands FMO	3,395	4,995	(88)	-	46	8,348
PTA Bank	7,118	-	(392)	2,011	66	8,803
Total foreign borrowings	13,513	4,995	(1,338)	2,819	112	20,101
Total borrowings	24,491	5,680	(6,262)	3,132	301	27,342
COMPANY						
NBS Bank Limited	19	-	(11)	-	-	8
CDH Bank		550	(550)	-	-	-
Standard Bank of Malawi Limited	-	80	-	-	-	80
Total local borrowings	19	630	(561)	-	-	88
Foreign borrowings						
Development Bank of South Africa	1,115	-	(860)	232	-	487
Total borrowings	1,134	630	(1,421)	232	-	575

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2013

In millions of Malawi Kwacha

30. LOANS AND BORROWINGS (CONTINUED)

	At 01/01/11	Draw-downs	Re-payments	Exchange fluctuations	Interest accrual	At 31/12/11
GROUP 2012						
Movement in borrowings						
Local borrowings						
Belgium Government	82	-	-	-	5	87
Continental Discount House Limited	202	-	(40)	-	4	166
DANIDA loan	624	-	-	-	20	644
FDH Bank Limited	28	25	(30)	-	-	23
FMB – MK Loan	68	-	(20)	-	-	48
FMB – USD Loan	472	-	(201)	293	-	564
FMB – USD Loan	400	-	(262)	345	44	527
Standard Bank of Malawi Limited	49	-	(49)	-	-	-
Kuwait Development Fund	817	-	-	-	77	894
Malawi Government	3	-	(1)	-	-	2
NBS Bank Limited	78	-	(59)	-	-	19
NBS Bank Limited	30	-	(11)	-	-	19
NBS Bank Limited	13	-	(3)	-	-	10
NBS Bank Limited	87	-	(27)	-	-	60
NORDIC Development Fund	778	-	-	-	62	840
Leasing and Finance Company	-	37	(30)	-	-	7
Standard Bank – USD Loan	2,896	2,544	(1,553)	2,602	-	6,489
Standard Bank – MK Loan	764	-	(158)	-	-	606
Total local borrowings	7,391	2,606	(2,444)	3,240	212	11,005
Foreign borrowings						
Development Bank of South Africa	897	-	(672)	890	-	1,115
Libyan Government	46	-	-	64	-	110
NORSAD	-	-	(28)	1	-	(27)
ZTE Vendor financing	-	1,836	(150)	59	30	1,775
Nederlands FMO	-	3,395	-	-	-	3,395
PTA Bank	2,410	2,133	(704)	3,279	-	7,118
Total foreign borrowings	3,353	7,364	(1,554)	4,293	30	13,486
Total borrowings	10,744	9,970	(3,998)	7,533	242	24,491
COMPANY						
Movement in borrowings						
NBS Bank Limited	30	-	(11)	-	-	19
Standard Bank of Malawi Limited	49	-	(49)	-	-	-
Total local borrowings	79	-	(60)	-	-	19
Foreign borrowings						
Development Bank of South Africa	897	-	(672)	890	-	1,115
Total borrowings	976	-	(732)	890	-	1,134

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2013

In millions of Malawi Kwacha

Loans analysis
GROUP 2013

Lender's name	Currency	Interest rate	Repayment terms	Security	Agreed date redemption commences	Agreed date redemption finishes	Due in 1 year	Due within 2 -5 year	Over 5 years
Belgium Government	Malawi Kwacha	8	½ Yearly	Government	2005	2020	37	47	8
Continental Discount House	Malawi Kwacha	43	Monthly	PCL guarantee	2012	2014	164	-	
DANIDA	Danish Kroner	4	½ Yearly	Government	2004	2018	311	184	170
Development Bank of South Africa	US Dollars	6 months libor +4%	½ yearly	NBM shares	2008	2015	487	-	-
FDH Bank Limited	Malawi Kwacha	43	Monthly	Debenture	2012	2014	28	-	-
FDH Bank Limited	Malawi Kwacha	43	Monthly	Debenture	2012	2014	46	-	-
FMB Limited	Malawi Kwacha	34	Monthly	Debenture	2010	2015	28	-	-
FMB Limited	US Dollars	9	½ yearly	TNM Shares	2010	2015	269	202	-
FMB Limited	US Dollars	9	Monthly	None	2010	2015	440	-	-
FMB Limited	US Dollars	9	Monthly	None	2010	2015	157	-	-
Kuwait Development Fund	Malawi Kwacha	15	½ Yearly	Government	2003	2017	971	-	-
Libyan Government	Malawi Kwacha	-	Dividends offset	-	-	-	144	-	-
Malawi Government	Malawi Kwacha	8.5	½ yearly	-	1999	2014	2	-	-
NBS Bank Limited	Malawi Kwacha	37	Monthly	Buildings	2008	2014	8	-	-
NBS Bank Limited	Malawi Kwacha	37	Monthly	Buildings	2010	2015	18	-	-
NORDIC Development Fund	Malawi Kwacha	15	½ Yearly	Government	2003	2018	282	621	-
Leasing and finance	Malawi Kwacha		Monthly	Government	2012	2014	7	-	-
Standard Bank Malawi Limited	Malawi Kwacha	34	Quarterly	PCL Guarantee	2013	2014	80	-	-
Standard Bank Malawi Limited	US Dollars	9	Quarterly	Related assets	2012	2016	-	2,713	-
Standard Bank Malawi Limited	MWK	34	Quarterly	Related assets	2012	2016	448	-	-
PTA Bank	US Dollars	8	Quarterly	Debenture	2009	2015	898	7,905	-
ZTE	US Dollar	9	Quarterly	Vendor finance	2012	2015	-	2,319	-
Nederlands FMO	US Dolalr	9	½ Yearly	Government	2012	2030	88	8,260	-
Total							4,913	22,251	178
Company - 2013									
Standard Bank of Malawi Limited	Malawi Kwacha	34	Quarterly	Related assets	2010	2015	80	-	-
NBS Bank Limited	Malawi Kwacha	47	Monthly	Buildings	2010	2014	8	-	-
Development Bank of South Africa	US Dollars	6 months Libor+4	½ yearly	NBM shares	2008	2015	487	-	-
Total							575	-	-

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2013

In millions of Malawi Kwacha

30. LOANS AND BORROWINGS (CONTINUED)

Loans analysis
GROUP 2012

Lender's name	Currency	Interest rate	Repayment terms	Security	Agreed date redemption commences	Agreed date redemption finishes	Due in 1 year	Due within 2-5 years	Over 5 years
Belgium Government	Malawi Kwacha	8%	½ Yearly	Government	2005	2020	32	40	15
Continental Discount House	Malawi Kwacha	33%	Monthly	-	2012	2013	101	65	-
DANIDA	Danish Kroner	4%	½ Yearly	Government	2004	2020	334	183	127
Development Bank of South Africa	US Dollars	LIBOR + 4	½ yearly	NBM shares	2008	2015	742	371	-
FDH Bank Limited	Malawi Kwacha	32%	Monthly	Debenture	2012	2013	23	-	-
FMB Limited	US Dollars	9%	½ yearly	TNM Shares	2010	2015	527	-	-
FMB Limited	US Dollars	9%	Monthly	Debenture	2010	2015	20	28	-
FMB Limited	Malawi Kwacha	34%	Monthly	None	2010	2015	205	359	-
Kuwait Development Fund	Malawi Kwacha	15%	½ Yearly	Government	2003	2017	691	203	-
Libyan Government	Malawi Kwacha	-	Dividends offset	-	-	-	110	-	-
Malawi Government	Malawi Kwacha	9%	½ yearly	-	1999	2014	1	1	-
NBS Bank Limited	Malawi Kwacha	31%	Monthly	Buildings	2008	2014	3	7	-
NBS Bank Limited	Malawi Kwacha	31%	Monthly	Buildings	2010	2015	11	8	-
NBS Bank Limited	Malawi Kwacha	31%	Monthly	Buildings	2010	2015	60	-	-
NBS Bank Limited	Malawi Kwacha	31%	Monthly	Buildings	2010	2015	19	-	-
NORDIC Development Fund	Malawi Kwacha	15%	½ Yearly	Government	2003	2018	683	147	10
Standard Bank Malawi Limited	US Dollars	16%	Quarterly	Related assets	2012	2017	1,256	2,434	2,799
Standard Bank Malawi Limited	US Dollars	18%	Quarterly	TNM Shares	2011	2016	158	448	-
PTA Bank	US Dollars	6%	Quarterly	Debenture	2009	2015	1,045	4,386	1,533
Leasing and Finance	Malawi Kwacha	31%	Monthly	None	2012	2013	6	-	-
Leasing and Finance	Malawi Kwacha	31%	Monthly	None	2012	2013	1	-	-
ZTE Vendor financing	US Dollars	4%	½ Yearly				298	1,477	-
Nederlands FMO	US Dollars	LIBOR + 4	Quarterly	None	2013	2017	849	2,519	-
							7,175	12,676	4,484
Company - 2012									
Standard Bank of Malawi Limited	Malawi Kwacha	15.75%	Quarterly	PCL Guarantee	2006	2012	49	-	-
NBS Bank Limited	Malawi Kwacha	17.5%	Monthly	Buildings	2010	2014	11	19	-
Development Bank of South Africa	US Dollars	LIBOR + 4	½ yearly	NBM shares	2008	2015	359	538	-
							419	557	-

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2013

In millions of Malawi Kwacha

a) Government of Malawi Guaranteed Loans

The Government of Malawi borrowed funds from Denmark, Nordic Development Fund, Kuwait Fund for Arab Economic Development and Belgium Government to finance the development of telecommunications services in terms of bilateral agreements, which were on lent to the Group. The Group is responsible for servicing the loans, through the Government of Malawi. These loans are guaranteed by the Government of Malawi.

In June 2006, the Group agreed with the Government of Malawi to convert to Malawi Kwacha the loans on lent to the company at the foreign currency exchange rates ruling as at April 2003 and revise some of the interest rates.

Security, interest rates and repayment terms applicable to the loans are shown below:

Government of Malawi/ Kingdom of Denmark	The Government of the Kingdom of Denmark made available to the Government of Malawi a grant of Danish Kroners (DKK)79,000,000 to support the implementation of the preparatory programme to support the Telecommunications sector. Under Article 13 of the Bilateral Agreement, the Government made available to Malawi Telecommunications Limited (then Malawi Posts and Telecommunications Corporation) a loan amounting to DKK53,200,000. The loan bears interest at 3.5% per annum and is payable half-yearly in arrears. The loan is unsecured, but ranks paripassu with future loan facilities and it is repayable over 20 years from the date of receipt of all equipment. In the addendum signed in June 2006 between the Company and the Government of Malawi, the loan was fixed at MK920,947,960.94 and interest was maintained at 3.5% per annum.
Nordic Development Fund	The loan bears interest at 15% per annum and is repayable half-yearly in arrears. The loan is unsecured, but ranks paripassu with future loan facilities and it is repayable over 17 years from the date of receipt of all equipment. It was agreed in the addendum signed in June 2006 between the Company and Government of Malawi to fix the loan at MK627,159,500 and the interest was set at 7.5% per annum.
Kuwait Fund for Arab Economic Development	The loan bears interest at 7% per annum and is repayable half-yearly in arrears. The loan is unsecured, but ranks paripassu with future loan facilities and is repayable over 16 years including a 4-year grace period. It was agreed in the addendum signed in June 2006 between the Company and Government of Malawi to fix the loan at MK918,457,716.39 and the interest was put at 15% per annum.
Government of Belgium	The loan bears interest at 7.5% per annum and is repayable half-yearly in arrears starting from 31 March 2005. The loan is unsecured, but ranks paripassu with future loan facilities and it is repayable over 15 years. It was agreed in the addendum signed in June 2006 between the Company and Government of Malawi to fix the loan at MK88,701,816.63 with interest rate maintained at 7.5% per annum.
Libyan Government	The loan is interest free and unsecured. There are no repayment terms.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2013

In millions of Malawi Kwacha

31. PROVISIONS

	Legal claims	Severance pay /pension arrears	Group bonus	Other	Total
GROUP					
2013					
Balance at the beginning of the year	45	-	2,217	944	3,206
Charge/(reversal) for the year	-	-	3,789	(72)	3,717
Provision used in the year	(38)	-	(3,108)	(158)	(3,304)
Balance at the end of the year	7	-	2,898	714	3,619
Balance as at the end of the year					
2012					
Balance at the beginning of the year	-	-	205	136	341
Charge/(reversal) for the year	45	-	2,912	866	3,823
Provision used in the year	-	-	(900)	(58)	(958)
Balance at the end of the year	45	-	2,217	944	3,206
Due between 2 and 5 years	-	-	-	-	-
Due within 1 year or less	-	-	-	-	3,206
Balance as at the end of the year	-	-	-	-	3,206
COMPANY					
2013					
Balance at the beginning of the year	-	-	384	-	384
Paid out during the year	-	-	(384)	-	(384)
Provision made during the year	-	-	393	-	393
Balance at the end of the year	-	-	393	-	393
Due within 1 year or less	-	-	393	-	393
2012					
Balance at the beginning of the year	-	150	236	-	386
Paid out during the year	-	(150)	(236)	-	(386)
Provision made during the year	-	-	384	-	384
Balance at the end of the year	-	-	384	-	384
Due within 1 year or less	-	-	384	-	384

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2013

In millions of Malawi Kwacha

32. LONG TERM LOANS PAYABLE TO GROUP COMPANIES

	Group 2013	Group 2012	Company 2013	Company 2012
The Foods Company Limited			8	8
National bank			1,955	
Press Properties Limited			53	85
MTL Mobile Limited			-	10
PressCane Limited			749	350
			2,765	453
Movement				
Opening balance			453	308
Additions during the year			2,344	350
Repayments			(32)	(350)
Other movements			-	145
Closing balance			2,765	453

The loans are unsecured and payable within five years and attract interest at market rates currently at 35% (2012:35%). Loans of MK289million and MK61million were repaid to Maldeco Fisheries and Press Properties respectively.

33. INCOME TAX PAYABLE

	Group 2013	Group 2012	Company 2013	Company 2012
Opening balance	1,906	1,774	-	55
Current charge	10,120	5,505	652	340
Cash paid	(8,730)	(5,456)	(543)	(395)
Cash received	-	127	-	-
Prior period charge	-	(16)	-	-
Tax transfer	8	(49)	-	-
Under/(over provisions)	-	21	-	-
Total payables	3,304	1,906	109	-

34. TRADE AND OTHER PAYABLES

	Group 2013	Group 2012	Company 2013	Company 2012
Trade payables	9,467	11,767	14	-
Accruals	668	434	89	-
Liabilities to other banks	213	583	-	-
Letters of credit	9,860	7,397	-	-
Others	11,636	6,598	420	527
	31,844	26,779	523	527

35. TRADE AND OTHER PAYABLES TO GROUP COMPANIES

	Group 2013	Group 2012	Company 2013	Company 2012
Amounts due to related party companies				
Press Properties Limited			13	5
Telecom Holdings Limited			22	5
Manzinzi			11	9
PressCane			-	4
Telekom Networks			2	1
Other			-	2
			48	26

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2013

In millions of Malawi Kwacha

36. CUSTOMER DEPOSITS

	Group	
	2013	2012 Restated
Current accounts	36,602	31,205
Deposit accounts	22,511	19,839
Savings accounts	17,555	12,635
Foreign currency accounts*	41,873	23,750
	118,541	87,429
Analysed by interest risk type:		
Interest bearing deposits	116,285	86,225
Non-interest bearing deposits	2,256	1,204
	118,541	87,429
Total liabilities to customers are payable as follows:		
- Within three months	116,146	86,290
- Between three months and one year	2,395	1,139
	118,541	87,429
Analysis of deposits by sector		
- Personal accounts	57,697	48,294
- Manufacturing	3,549	4,453
- Agriculture	4,999	1,497
- Wholesale and retail	9,178	14,992
- Finance and insurance	5,799	5,080
- Others	37,319	13,113
	118,541	87,429
* The foreign currency accounts balances as at 31 December were as follows:-		
US Dollar denominated	33,195	18,164
GBP denominated	4,652	3,196
Euro denominated	3,746	2,283
ZAR denominated	230	58
Other currencies	50	49
	41,873	23,750

The interest rate on foreign currency accounts ranged from 1% to 4% (2012:0.1% to 4%)

	Group		Company	
	2013	2012	2013	2012

37. REVENUE

Cost of sales	42,502	28,014	295	53
Direct service costs	36,242	24,379	-	71
Interest expense	34,973	22,151	6,551	3,391
	113,717	74,544	6,846	3,315

38. DIRECT TRADING EXPENSES

Cost of sales	29,587	16,919	22	16
Direct service costs	5,289	2,407	-	-
Interest expense	16,945	11,312	-	-
	51,821	30,638	22	16

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2013

In millions of Malawi Kwacha

	Group		Company	
	2013	2012	2013	2012

39. OTHER OPERATING INCOME

Net gains from trading in foreign currencies	81	(7)	-	-
Recoveries from impaired loans and advances	512	254	-	-
Fair value adjustment of investment property	209	743	-	-
Fair value adjustment of other assets	1,027	905	-	-
Profit/(loss) on disposal of property, plant and equipment	262	586	2	(3)
Profit on disposal of available for sale financial assets	504	14	-	724
Property rental income	-	2	-	-
Remeasurement to fair value of pre-existing interest in acquiree (see note 9)	-	-	254	-
Sundry income	2,089	1,826	429	(39)
	4,684	4,577	431	682

40. DISTRIBUTION EXPENSES

Marketing and publication	21	1,044	-	-
Selling expenses	964	173	-	-
Carriage outwards	305	572	-	-
Other	240	102	-	-
	1,530	1,891	-	-

41. ADMINISTRATIVE EXPENSES

Auditors' remuneration	- current year fees	244	185	36	32
	- prior year fees	7	1	-	-
	- other professional services	2	1	-	-
Directors' emoluments	- fees & expenses	57	26	41	20
	- executive directors' remuneration	418	171	-	-
Management fees		-	12	-	-
Personnel costs		16,234	12,519	1,241	606
Pension contribution costs		1,192	813	69	38
Legal and professional fees		481	667	108	13
Stationery and office expenses		1,118	700	236	97
Security services		841	741	23	15
Motor vehicle expenses		1,663	1,178	38	27
Bad debts		1,097	1,175	895	115
Repairs and maintenance		2,991	2,197	86	30
Depreciation and amortisation		6,707	5,627	140	58
Other		4,902	3,514	187	303
		37,953	29,527	3,100	1,354

Liability for defined contribution obligations

The principal group pension scheme is the Press Corporation Limited Group Pension and Life Assurance Scheme covering all categories of employees with 2,129 (2012: 2,190) members as at 31 December 2013. The Fund is a defined contribution fund and is independently administered by NICO Life Insurance Company Limited. Under this arrangement employer's liability is limited to the pension contributions.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2013

In millions of Malawi Kwacha

	Group		Company	
	2013	2012	2013	2012

42. OTHER OPERATING EXPENSES

	Group 2013	Group 2012	Company 2013	Company 2012
Staff training	92	55	-	-
Other	44	24	-	8
	136	79	-	8

43. FINANCE INCOME AND COSTS

	Group 2013	Group 2012	Company 2013	Company 2012
Interest income				
Interest income on bank deposits	978	331	52	90
Net foreign exchange gain	2,998	553	1,160	-
Other	246	19	99	13
	4,222	903	1,311	103
Interest expense				
Bank overdrafts	(1,253)	(275)	(71)	(33)
Loans	(2,154)	(1,125)	(874)	(149)
Foreign exchange loss	(7,272)	(6,671)	(1,390)	(913)
	(10,679)	(8,071)	(2,335)	(1095)
Net finance costs	(6,457)	(7,168)	(1,024)	(992)

44. SHARE OF RESULTS FROM EQUITY ACCOUNTED INVESTEES

	Group 2013	Group 2012	Company 2013	Company 2012
Limbe Leaf Tobacco Company Limited	1,765	2,449	-	-
BBGL	1,938	360	-	-
Puma Energy (Malawi) Limited	2,074	573	-	-
Macsteel Malawi Limited	138	39	-	-
	5,915	3,421	-	-

45. INCOME TAX EXPENSE

	Group 2013	Group 2012	Company 2013	Company 2012
Current tax expense				
Current year at30% (2012:30%) based on taxable profits	10,120	5,125	-	-
Under-provisions for prior years	-	-	-	-
Final tax on dividend received from associates, subsidiaries and joint ventures	16	50	653	340
	10,136	5,175	653	340
Deferred tax expense				
Utilisation of tax losses	-	-	-	
Origination and reversal of temporary differences	(1,076)	(1,437)	-	-
	(1,076)	(1,437)	-	-
Income tax expense	9,060	3,738	653	340

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2013

In millions of Malawi Kwacha

	Group		Company	
	2013	2012	2013	2012

Reconciliation of effective tax rate

The tax on the Group's and Company's profit before tax differs from theoretical amount that would arise using the weighted average tax rate applicable to profits of the Group and Company as follows:

	%	%	%	%
Standard tax rate	30	30	30	30
Permanent differences	4	(2)	(7)	(13)
Effective tax rate	34	28	23	17

The Group has estimated tax losses of MK8,809billion (2012: MK6.4billion). These include capital losses, which can be set off against future capital gains. Where relevant, these tax losses have been set off against deferred tax liabilities, which would arise on the disposal of revalued assets at carrying value. Tax losses are subject to agreement by the Malawi Revenue Authority and are available for utilisation against future taxable income, including capital gains, only in the same company.

Under the Malawi Taxation Act it is not possible to transfer tax losses from one subsidiary to another or obtain group relief.

46. BASIC EARNINGS PER SHARE AND DILUTED EARNINGS PER SHARE

Calculation of basic earnings per share and diluted earnings per share is based on the profit attributable to ordinary shareholders of MK9,372 million (2012: MK6,340 million) and a weighted average number of ordinary shares outstanding during the year of 120.2 million (2012:120.2 million).

Profit attributable to owners of the company	9,372	6,340
Weighted average number of ordinary shares	120.2	120.2
Basic earnings per share (MK)	77.97	52.75
Number of shares in issue	120.2	120.2
Diluted earnings per share (MK)	77.97	52.75
Profit from continuing operations	17,359	9,525
Non-controlling interest	(7,992)	(3,173)
	9,367	6,352
Basic earnings per share (from continuing operations) (MK)	77.93	52.84
Diluted earnings per share (from continued operations) (MK)	77.93	52.84

47. CONTINGENT LIABILITIES

Foreign guarantees	1,693	988		-
Local guarantees and performance bonds	1,100	4,563	1,100	-
	2,793	5,551		-
Legal and other claims	1,356	4,180	-	-
Tax payable	1,900	-	-	-
Total contingent liabilities	6,049	9,731	1,110	-

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2013

In millions of Malawi Kwacha

	Group		Company	
	2013	2012	2013	2012

47. CONTINGENT LIABILITIES (CONTINUED)

(a) Guarantees and performance bonds represent acceptances, guarantees, indemnities and credits issued by National Bank of Malawi to non-group entities which would crystallise into a liability only in the event of default on the part of the relevant counterparty. For the company, the guarantees represents guarantees made by the parent company for bank loans taken by the Foods Company Limited and Malawi Telecommunication Limited.

(b) Legal and other claims represent legal claims made against the Group in the ordinary course of business, the outcome of which is uncertain. The amount disclosed represents an estimate of the cost to the Group in the event that legal proceedings find the Group to be in the wrong. In the opinion of the directors the claims are not expected to give rise to a significant cost to the Group.

(c) Tax liability relates to a dispute that Limbe Leaf Tobacco has with MRA which may result in a tax payable of MK4.5bn and the MK1.9bn represents PCL's portion of the liability.

48. CAPITAL COMMITMENTS

	Group 2013	Group 2012	Company 2013	Company 2012
Authorised and contracted for	3,706	6,767	-	-
Authorised but not yet contracted for	15,138	6,322	-	274
	18,844	13,089	-	274

These commitments are to be funded from internal resources and long term loans.

49. RELATED PARTIES

The Group has a related party relationship with its subsidiaries, associates, joint ventures and with its Directors and Executive Officers.

There were no material related party transactions with the ultimate controlling entity of the Group, Press Trust, in the current or prior financial period.

Transactions with Directors and Executive Officers

Directors of the Company and their immediate relatives control 0.01% (2012: 0.22%) of the voting shares of the Company.

Directors' emoluments are included in administrative expenses more fully disclosed in note 41.

Details of transactions between the Group and other related parties are disclosed below.

	2013	2012
As at 31 December		
Loans granted to group companies	3,741	1,250
Sales within group companies	2,273	1,961
Interest income	2,496	750
Corporate expenses	240	71

Other related party transactions

Associates

Associates purchased goods from the Group on an arm's length basis and at the reporting date associates the balance due from the associates to the Group is MK10million (2012: MK nil)

Joint ventures

Joint ventures purchased goods from the Group on an arm's length basis and at the reporting date joint ventures owed the Group MK11million(2011: MK326 million).

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2013

In millions of Malawi Kwacha

50. SUBSEQUENT EVENTS

On 1 February 2014, one of the The Foods Company's vessels (the m.v.Fish Eagle) included in the financial statements at a carrying amount of MK316 million capsized in Lake Malawi near the company's docks. The vessel was involved in deep lake fishing. As at the date of finalising the financial statements, the vessel had not yet been righted. The company's insurers, NICO General Insurance Company Limited, were in the process of identifying an entity that would be able to right the vessel so that the extent of damage could be assessed. It was difficult, at the time, to estimate the costs of righting the vessel and restoring it to its previous operating capacity.

51. CASH FLOWS FROM OPERATING ACTIVITIES

	Group		Company	
	2013	2012 Restated	2013	2012 Restated
Profit\(Loss) before tax	26,419	13,239	3,130	1,827
Adjustments for:				
Depreciation and amortisation	6,957	5,627	141	58
Interest payable	3,407	1,400	945	182
Interest receivable	(4,222)	(350)	(151)	(103)
Gross share of profit from equity accounted investments	(5,915)	(3,421)	-	-
Profit on sale of property, plant and equipment	(262)	(665)	(2)	3
Fair value adjustments and unrealised forex losses	4,206	5,416	254	255
Investment income (dividends)	-	-	(6,551)	(3,391)
Increase/(decrease) in provisions	706	(1,758)	9	2
Working capital changes:				
(Increase)/Decrease in inventories	(926)	(3,630)	6	(3)
(Increase)/Decrease in Loans and advances to customers	(1,869)	(2,552)	-	-
(Increase)/Decrease in Finance lease receivables	(75)	(510)	-	-
(Increase)/Decrease in trade and other receivables	(3,628)	(8,699)	(282)	88
(Increase)/Decrease in trade and other receivables -group	-	-	(793)	3
Increase/(Decrease) in trade and other payables	5,111	6,217	(4)	431
Increase/(Decrease) in trade and other payables- group	-	-	2	431
Increase/(Decrease) in customer deposits	30,707	17,589	-	-
Cash generated by/(used in) operations	60,616	27,903	(3,296)	(460)

The cash flow statement has been restated to adopt the indirect method of presentation of cash flow statements and to recognise placement with other banks as part of cash and cash equivalent. Previously placement with other banks were being recognised as part of other receivables.

52. DIVIDEND PER SHARE

	Group and Company	
	2013	2012
Final dividend (prior year)	421	360
Interim dividend (current)	240	200
	661	560
Number of ordinary shares in issue (million)	120.2	120.2
Dividend per share (MK)	5.50	4.66

The proposed final dividend for the year is MK480.8 million (2012: MK420.7 million) representing MK4 per share (2012: MK3.50).

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2013

In millions of Malawi Kwacha

PRESS CORPORATION LIMITED ON THE MALAWI STOCK EXCHANGE

Shareholdings	% of total shares in issue	Number of shares	shareholding range	Number of shareholders	%
Press Trust	44.47%	53,475,249	1,000,000 +	11	0.69%
Deutsche Bank Trust Company America	22.34%	26,860,500	10,001 - 1,000,000	78	4.88%
Old Mutual Life assurance (Malawi) Limited	12.71%	15,279,752	5,001 - 10,000	37	2.32%
Others	20.49%	24,640,212	1 - 5,000	1,472	92.12%
Total		120,255,713		1,598	100.00%

Share Market

	2013	2012	2011	2010	2009
Total number of shares in issue	120,255,713	120,255,713	120,255,713	120,255,713	120,255,713

Malawi Stock Exchange (MSE) Market statistics

Market capitalization at 31 December (MKm)	34,273	22,608	21,646	20,443	20,443
Market capitalization at 31 December (US$'m)	79.13	66.09	132.15	135.57	147.44

Subscription price at listing MK14.89

Last traded price

31 December (MK per share)	285.00	188.00	180.00	170.00	170.00
Highest (MK per share)	285.00	180.00	170.00	205.00	225.00
Lowest (MK per share)	188.00	176.00	153.00	120.00	195.00
Net asset value (NAV) per share	669.58	396.41	353.94	319.52	319.52
Value of shares traded (MKm)	1,688.00	152.00	176.67	475.00	2,067.42
Earnings per share %	77.97	28.86	44.23	27.23	27.23
Dividend yield %	1.93	2.59	2.59	1.51	1.92